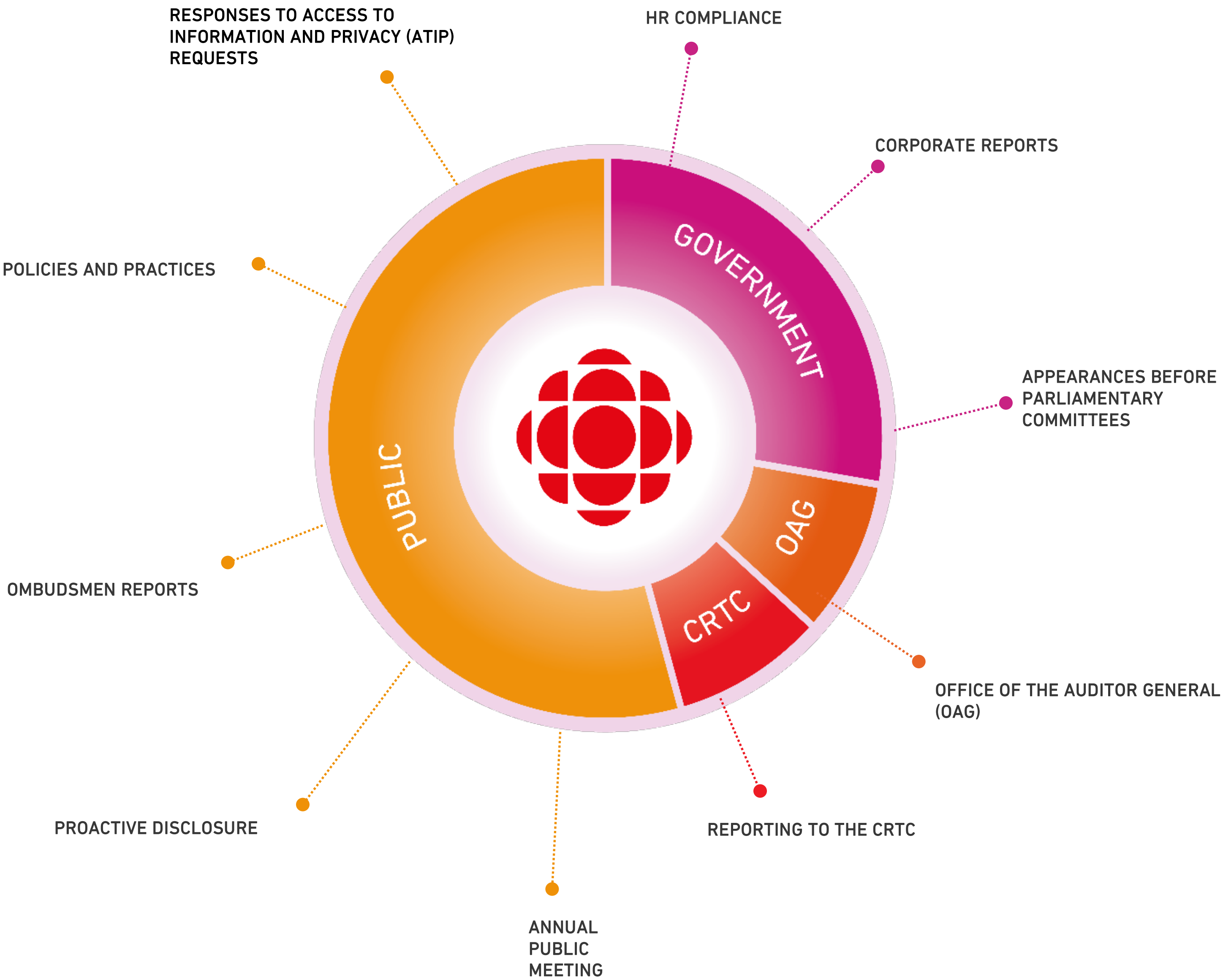
Q2

SECOND QUARTER
FINANCIAL REPORT
2017-2018

CBC Radio-Canada

CBC/RADIO-CANADA'S COMMITMENT TO TRANSPARENCY AND ACCOUNTABILITY

As the national public broadcaster, we take very seriously our obligation to be transparent and accountable to Canadians. To meet our responsibilities, we provide access on our corporate website to information about our activities and the way we manage our public resources.



MANAGEMENT DISCUSSION AND ANALYSIS

In addition to filing an annual report, we are required – like most Canadian federal Crown corporations – to file quarterly financial reports for the first three quarters of each fiscal year. The following Management Discussion and Analysis (MD&A) aims to provide readers with an overview of our activities and performance for the second quarter of 2017-2018, and should be read in conjunction with our most recent Annual Report. In keeping with our commitment to transparency and effective oversight of public funds, we are pleased to present this quarterly report for the second quarter ended September 30, 2017. We have organized our MD&A in the following key sections:

To help you understand this MD&A, note the following:

Quarterly reporting - The Condensed Interim Consolidated Financial Statements have not been reviewed by our auditor.

Seasonality - The majority of our self-generated revenue comes from advertising, which follows seasonal patterns based on the programming schedule. It also varies according to market and general economic conditions, as well as schedule performance. Subscriber-based revenue is more stable on a quarter-by-quarter basis. Operating expenses also tend to follow a seasonal pattern because they are also influenced by the programming schedule. Government appropriations are recognized in income based on the annual budget, which reflects seasonal impacts on expenditures and self-generated revenue.

Forward-looking statements - This report contains forward-looking statements about strategy, objectives, and expected financial and operational results. Forward-looking statements are typically identified by words such as “may,” “should,” “could,” “would” and “will,” as well as expressions such as “believe,” “expect,” “forecast,” “anticipate,” “intend,” “plan,” “estimate” and other similar expressions. Forward-looking statements are based on the following broad assumptions: CBC/Radio-Canada’s government funding remains consistent with amounts announced in the federal budget, and the broadcasting regulatory environment will not change significantly. Key risks and uncertainties are described in the Risk Update section of this report. However, some risks and uncertainties are by definition difficult to predict and are beyond our control. They include, but are not limited to, economic, financial, advertising market, technical and regulatory conditions. These and other factors may cause actual results to differ substantially from the expectations stated or implied in forward-looking statements.

Performance indicators - We rely on data from both internal tools and third parties to measure our performance metrics. While these data are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in collecting this information, particularly as the media industry undergoes a digital transformation. For example, Canadians now consume media content on multiple devices from an ever-growing array of content providers. As media consumption habits change, audience measurement suppliers and the Corporation are refining methodologies and introducing new measurement technologies to ensure the accuracy and completeness of data gathered. As a result, changes in the way data are collected could result in certain information provided in future periods not being comparable with information disclosed in prior periods. Since some of these data are used to measure our strategic and operational indicators, we may be required to make adjustments to targets and historical results to enhance comparability of the data and follow industry best practices.

Non-IFRS measure - This report includes the measure Results on a Current Operating Basis, which does not have any standardized meaning according to International Financial Reporting Standards (IFRS). It is therefore unlikely to be comparable to similar measures presented by other companies. Refer to the section Discussion of Results for further details.

FINANCIAL HIGHLIGHTS

SELF-GENERATED REVENUE	2017-2018: $119.2M 2016-2017: $176.8M TOTAL DECREASE ▼ $57.6M (32.6%)	Our revenue decreased by 32.6% primarily because last year's amount includes revenue from broadcasting the Rio 2016 Olympic Games. This overall decrease was partly offset by higher revenue from our ongoing activities mostly driven by strong audience performance on Radio-Canada and growth in our digital advertising.
GOVERNMENT FUNDING	2017-2018: $292.5M 2016-2017: $256.1M TOTAL INCREASE ▲ $36.4M (14.2%)	Total government appropriations will increase by a further $75.0 million this year. This will bring the total reinvestment in the public broadcaster to $150.0 million annually, as announced by the federal government in March 2016. The 14.2% increase in government funding this quarter reflects part of this year's increase in funding.
OUR EXPENSES	2017-2018: $389.4M 2016-2017: $430.3M TOTAL DECREASE ▼ $40.9M (9.5%)	Total expenses were down by 9.5%, primarily because last year's amount includes event costs for broadcasting the Rio 2016 Olympic Games. This decrease was partly offset by an increase in our ongoing expenses as we broadcast more original content across our platforms during the summer. In particular, we aired more original Arts and Entertainment programming, covered Canada 150 events, and continued investing in our digital capabilities and local services.

	For the three months ended September 30			For the six months ended September 30		
(in thousands of Canadian dollars)	2017	2016	% change	2017	2016	% change
Revenue	119,194	176,825	(32.6)	232,402	291,431	(20.3)
Government funding	292,517	256,063	14.2	531,284	479,189	10.9
Expenses	389,352	430,286	(9.5)	784,607	784,557	0.0
Results before non-operating items	22,359	**2,602**	**N/M**	(20,921)	**(13,937)**	**(50.1)**
Non-operating items	(8,062)	(719)	N/M	45,596	(2,121)	N/M
Net results under IFRS for the period	14,297	**1,883**	**N/M**	24,675	**(16,058)**	**N/M**
Results on a Current Operating Basis[1]	13,783	**2,018**	**N/M**	45,202	**(5,471)**	**N/M**

N/M = not meaningful

[1] Results on a Current Operating Basis is a non-IFRS measure. This excludes items that do not generate or require funds from operations. A reconciliation of net results to Results on a Current Operating Basis is provided in the *Discussion of Results* section of this report.

Net results under IFRS were a gain of $14.3 million this quarter, compared to $1.9 million last year, mainly due to higher levels of government funding recognized and lower expenditures. Partly offsetting these items was a decrease in our self-generated revenue and a non-operating loss from the disposal of the Maison de Radio-Canada premises in Montreal.

Results on a Current Operating Basis were largely consistent with IFRS results at $13.8 million this quarter, compared to $2.0 million last year.

On a year-to-date basis, our **net results under IFRS** and **results on a Current Operating Basis** further improved, largely due to the sale of our investment in Sirius XM Canada Holdings Inc. during the first quarter.

BUSINESS HIGHLIGHTS

This quarter, we continued to put our audiences first as we launched new programming, explored new formats, furthered our commitment to amateur sport, reinforced the value of inclusiveness and enriched our partnerships.

CONTENT AND SERVICES

We are always looking for new ways to engage with our audiences and connect them with important stories from around the world.

We are always looking for new ways to engage with our audiences and connect them with important stories from around the world. With that said, both CBC and Radio-Canada continued the redevelopment of their flagship news programs, *The National* and *Le téléjournal 22h*. In August, four new hosts were announced to lead *The National*, which officially launched to audiences across the country on November 6. Meanwhile, *Le téléjournal 22h*'s new in-depth format seeks to go beyond the news to provide audiences with insights and thorough analysis of the events that unfolded during the day. The news program also gives more opportunities to audiences to express themselves on public affairs, presenting a wide array of opinions and opening a dialogue in the public space.

This quarter, ICI Estrie launched a web documentary in the form of a graphic novel that tells the unique story of Raïf Badawi, an activist blogger who has been imprisoned in Saudi Arabia and sentenced to 1,000 lashes after criticizing the regime. Badawi, whose family is based in Quebec's Eastern Townships, has become an international symbol of free speech. Developed in a community that has embraced Badawi's family and cause, the graphic novel is an original news format that will carry this meaningful story to new and younger audiences. Since its release, more than 58,000 people had visited this site.[1]

Meanwhile, CBC continued to focus on its audience needs by building an engaged insight community called Your CBC Say (yourCBCsay.cbc.ca), which invites viewers to test new projects, products and creative content. We also continued to roll out a redesign for cbc.ca that focuses on user experience to maximize engagement.

In line with our value of inclusiveness, as well as our commitment to bring a variety of voices and stories to Canadians, CBC's Breaking Barriers Film Fund announced three new projects: *Audience of Chairs*, *Level 1* and *Red Snow*. In addition, *Meditation Park* by Mina Shum, the first film funded under CBC's Breaking Barrier's Film Fund, was featured at the Toronto and Vancouver international film festivals. What's more, ReelAbilities Toronto Film Festival, in partnership with CBC's Breaking Barriers Film Fund, announced Jason DaSilva as the inaugural recipient of the CBC-ReelAbilities Screenwriter Fund.

District 31 kicked off the season with an average minute audience of 1.6 million.

We had a busy programming quarter across all platforms with new and returning shows this summer like *The Durrells*, *Indice UV*, *21 Thunder*, *Le beau dimanche*, *Still Standing*, *Baroness von Sketch* and *Les Chefs*. ICI RADIO-CANADA TÉLÉ's season debut in September saw the return of favourites like *Unité 9*, *Mémoires vives* and *District 31*, which kicked off with an average minute audience of 1.6 million.[2] Meantime on CBC, *Murdoch Mysteries* returned with a fall-season launch that was watched by 1.2 million people.[2] Radio-Canada's radio stations expanded their digital offering as ICI MUSIQUE launched a digital-exclusive radio channel called MUSE, entirely dedicated to classical music and available on the ICIMUSIQUE.ca website, as well as on its mobile application. ICI PREMIÈRE's mobile application also significantly deepened its content with new formats such as audio books, podcasts and documentary series, contributing to a significant increase in reach and user engagement.[3] On CBC Radio, it was one of our most successful summer seasons yet with a diverse slate of new programs – many produced in regions – new podcasts and the expansion of *The Sunday Edition* to three hours in September. CBC Music's new show, *Reclaimed*, focuses on Indigenous music and will return in the regular season after a successful summer season. CBC Music also continues to offer a wide selection of music across its 40 streaming channels.

Finally, we showed our commitment to amateur sport as we showcased the International Association of Athletics Federations (IAAF) World Championships live from London, UK, (including in prime time) and reached a total of 4.7 million Canadians.[2] Our digital platforms also gave Canadians the opportunity to experience the Fédération Internationale de Natation (FINA) championships in Hungary. In addition, CBC was the premier media partner for the 2017 North American Indigenous Games in Toronto in July. Our coverage of the Games – the largest continental sporting and cultural gathering of Indigenous people, with more than 5,000 athletes – gave Canadians unprecedented access to the eight-day multi-sport and cultural event, and furthers our commitment to telling athletes' stories both on and off the field.

CBC was the premier media partner for the 2017 North American Indigenous Games in Toronto in July.

[1] Source : Adobe.
[2] Source: Numeris.
[3] Weekly visits and pages views during the last week of September were respectively 89% and 95% higher than the average for fall 2016. Source : Adobe Omniture SiteCatalyst.

TECHNOLOGY AND INFRASTRUCTURE

This quarter, we celebrated the official launch of the new Maison de Radio-Canada (MRC) project. On October 1, the Honourable Mélanie Joly, Minister of Canadian Heritage, Hubert T. Lacroix, President and CEO of CBC/Radio-Canada, Roger Plamondon, President of Broccolini Real Estate Group, and Denis Coderre, Mayor of Montreal, took part in a ceremony to break ground for the new MRC. Being built and owned by the Broccolini Group, the new MRC will consist of a seven-storey tower and a four-storey tower connected by a vast atrium that will be open to the public, and will have a footprint of approximately 418,000 square feet, a third of the current MRC premises. According to the proposed timeline, the new MRC should be completed by late 2019, with the official opening taking place in January 2020.

At the beginning of October, our newest production support vehicle hit the road. It's a mobile office that can be used by both CBC and Radio-Canada news production teams, with multiplatform transmission capability and a travel radius of approximately 1,000 kms from its home base in Toronto. The new truck has the tools we need to produce and transmit our content across all platforms for about half the cost of a traditional satellite truck.

PEOPLE

On October 1, we officially launched our revised Code of Conduct and Policy on Conflicts of Interest. Our new Code remains based on our mission and corporate values, but is more readable and practical. We've also updated the content and added some additional guidance based on industry best practices. Revamping the Code and Policy on Conflicts of Interest is part of broader efforts to modernize our workplace and strengthen our commitment to our values, particularly those of inclusiveness and integrity.

Also this quarter, we finalized preparations for our third annual Dialogue engagement survey in partnership with Gallup. Building on the momentum established in 2016-2017, our goal is to sustain or improve last year's record of 71% participation. The results of the survey will be available before the end of the third quarter.

OTHER BUSINESS MATTERS

On September 26, 2017, we hosted our Annual Public Meeting at the University of Ottawa. The theme for this year's panel was *No Filters: A conversation about credibility, media and the future of public broadcasting*. Featuring a panel of journalists, the event offered an opportunity to have a meaningful conversation on the importance of public broadcasting in today's environment. The event was streamed through Facebook Live and received over 16,000 views. While on campus, our journalists took the opportunity to visit classes and answer questions from students. Our activity generated a lot of interest online, reaching 646,000 users on Twitter.

On September 28, 2017, the Honourable Mélanie Joly, Minister of Canadian Heritage, announced the Government of Canada's vision for culture. The principles outlined in the vision – investing in creators and their stories, strengthening discovery and distribution, and the role of a strong public broadcaster – are deeply embedded in the work we do at CBC/Radio-Canada every day. We agree that the public broadcaster will continue to play a central role in supporting and promoting Canadian culture. CBC/Radio-Canada will work with the federal government and with Canadians to strengthen its mandate, as we continue to adapt to the evolving needs of Canadians.

As part of our commitment to bringing Canada 150 celebrations to Canadians, we were the Official Media Partner for MosaïCanada 150 / Gatineau 2017. The event was held in Jacques-Cartier Park, in Gatineau, from June 30 to October 15, 2017, and featured an exhibit of giant plant sculptures. The partnership provided us with outstanding visibility in the National Capital Region – over 1.3 million people visited the site. STUD!O 2017, a CBC/Radio-Canada 2017-branded shipping container, was set up in the site's activity area, and included a CBC and Radio-Canada-produced digital experience to help enhance Canadians' visits to the site. Visitors interacted with us an average of 800-1,000 times a day on weekdays and 3,000-4,500 times on weekends. Over 12,000 pictures were taken in the photo booth space.

Raïf Badawi: Rêver de liberté, ICI Estrie.

PERFORMANCE UPDATE

The tools that measure and assess CBC/Radio-Canada's performance are an important part of *Strategy 2020*. We do this in two ways: by measuring the perceptions of Canadians and by tracking our success against specific measurable targets. The performance measurement framework covers three areas: Mandate and Vision (perception survey indicators), *Strategy 2020* (strategic indicators), and Media Lines (operational indicators).

We have also developed performance indicators specific to monitoring and reporting on the government's reinvestment in CBC/Radio-Canada. These metrics measure the incremental impact of new funding on two key priorities: expanding our digital presence and increasing services to local markets. We report on these incremental measures in the Accountability Plan section of the Annual Report which also includes a number of other key strategic programming and initiatives. We also report on the Canadian programming we have been able to create because of this additional funding. All of these measurements are in addition to the specific performance targets set each year for CBC and Radio-Canada.

OUR PERFORMANCE - MANDATE AND VISION

As Canada's national public broadcaster, the establishment of metrics to track and assess the perception of our performance is essential to demonstrate our accountability to Canadians. The Mandate and Vision perception survey allows us to monitor how well Canadians believe our services fulfill the Corporation's mandate under the 1991 *Broadcasting Act*, as well as measure the performance of our programming with respect to quality, distinctiveness, and our ability to reflect and draw Canadians together. The report also includes vision indicators, which present the Corporation's role in fulfilling the vision of *Strategy 2020*. The data are collected via surveys conducted among representative samples of Anglophone and Francophone Canadians.[4]

The 2017-2018 survey results will be available in January, at which point they will be published in the third quarterly financial report (Q3). For those interested in looking at the last survey results, they have been published in an interactive dashboard on our corporate website.

Annual Public Meeting Panel: Waubgeshig Rice, Mathieu Nadon, Mélissa François, Christian Latreille, Olivier Arbour-Masse, Charlsie Agro, Daniel Bouchard and Wendy Mesley.

[4] Source: Mission Metrics Survey, TNS Canada (1,000 Anglophones and 1,000 Francophones per survey). Surveys are conducted in fall and spring each year.

OUR PERFORMANCE - *STRATEGY 2020*

The *Strategy 2020* Performance Report is used to ensure we are meeting the corporate-wide objectives of our current strategic plan. We established long-term targets we aim to meet by 2020. Each year, we track our progress towards them with short-term annual targets. Eight key indicators are used to measure the building blocks of our current strategy: audience, infrastructure, people and financial sustainability.

The goal of our strategy is to increase our value to all Canadians and to deepen our relationship with them. With this in mind, four of the eight indicators measure our audience success. By 2020, we want:

- Three out of four (75%) Canadians to consider one or more of our services to be very important to them (indicator 1);
- Canadians to continue to strongly agree that CBC/Radio-Canada's information programming reflects a diversity of opinions and covers issues in a fair and balanced way (indicator 2); and
- To increase our digital reach so that 18 million Canadians will use our digital platforms each month and to grow the number of digital interactions they have with our services (indicators 3 and 4).

To support our audience goals, we will need to transform our infrastructure, including reducing our real estate footprint by 50% (indicator 5). We will also need our employees to be more engaged (indicator 6) and to better reflect the diverse society we serve (indicator 7). We are aiming to achieve these objectives while becoming more financially sustainable through cost reductions (indicator 8).

The *Strategy 2020* indicators are presented below. Our second quarterly report contains a partial list of Key Performance Indicators (KPIs), as several indicators are not measured until the fall. These indicators will be presented in our third quarterly report.

INDICATORS	RESULTS 2016-2017	TARGETS 2017-2018	RESULTS APR 1 TO SEPT 30, 2017	2020 TARGETS
Audience/Market				
1. Importance to Canadians (% very important)[5,6]	54.5%	58.0%	**N/A**[7]	75.0%
2. Information programming has diverse opinions and is objective (% who strongly agree[5]	53.2%	57.0%	**N/A**[7]	57.0%
3. Digital reach of CBC/Radio-Canada (million)[8]	16.9	18.8	**17.8**	18.0
4. Monthly digital interactions with CBC/Radio-Canada (million)[9]	140.4	159.5	**N/A**[10]	95.0
Infrastructure				
5. Reduce real estate footprint (million of rentable square feet)[11]	3.9	3.8	**3.9**	2.0
People				
6. Employee engagement (% proud to be associated)[12]	82.0%	84.0%	**N/A**[7]	90.0%
7. Employee diversity (% of new employees)[13]	23.0%	23.2%	**22.9%**	23.2%
Financial				
8. Achieve cost reduction target ($ million)	$87.5	$93.1	**$93.1**	$117.0

N/A = not available.

Our performance metrics are evolving as the media industry continues to undergo a digital transformation. Canadians consume media content on multiple devices (e.g. smartphones, tablets, smart TVs) from an ever-growing array of content providers. As media consumption habits change, audience measurement suppliers and the Corporation are refining methodologies and introducing new measurement technologies to ensure the accuracy and completeness of data gathered. Since some of these data are used to measure our strategic and operational performance, we may be required to make adjustments to targets and historical results to enhance comparability of the data.

Our *Strategy 2020* indicators are tracking as follows:

Audience/Market – This quarter, our digital reach (indicator 3) is currently tracking below target but is expected to improve as our regular programming schedules continue into the fall and winter months.

---

[5] Source: Mission Metrics Survey, TNS Canada. This is the percentage of Canadians who give us top marks (i.e. 8, 9 or 10 on a 10-point scale). Information programming (Indicator 2) is the average of two questions: CBC/Radio-Canada's information programming "reflects a diversity of opinions on a wide range of issues" and "covers major issues in a fair and balanced way."
[6] In fall 2017, the word personally was removed from the end of the question that now reads: *how important would you say the CBC is to you?*
[7] The result for this indicator will be available in Q3 as in the past.
[8] Source: Unduplicated reach of CBC and Radio-Canada digital platforms. comScore, multiplatform measurement, monthly average unique visitors.
[9] Source: comScore, multiplatform measurement, monthly average visits.
[10] The result for this indicator was not available this quarter but we expect it to be published again in Q3.
[11] Our rentable square feet (RSF) results exclude foreign offices (e.g. bureaus), transmission sites, parking lots and leases for the sole purpose of storage (i.e. no broadcasting activity).
[12] Source: Gallup Consulting, Dialogue 2016 Survey. This is the percentage of employees who are proud to be associated with CBC/Radio-Canada. This is measured as the percentage of employees who responded four to five on a scale of one to five in a representative survey of employees.
[13] This metric is made up of three groups: Indigenous and Inuit peoples, persons with disabilities, and visible minorities. It is calculated as a percentage of new external hires for positions of 13 weeks or more.

Infrastructure – CBC/Radio-Canada's real estate footprint (indicator 5) was 3.9 million rentable square feet and is expected to meet its yearly target (3.8 million) when the October sale of our Halifax building is captured in Q3. A sizeable reduction in our real estate footprint is expected following the move from the current Maison de Radio-Canada into a new leased facility, currently scheduled for fiscal year 2019-2020.

People – Employee diversity (indicator 7) saw a significant increase in the second quarter of 2017-2018. CBC/Radio-Canada reached its highest second quarter result since we started using the indicator in 2015-2016 and almost achieved its target. Inspired by our successes in becoming a gender parity leader in the Canadian media industry, we will continue to work on our Diversity and Inclusion priorities as our unwavering goal remains to attract a broader pool of external candidates and improve retention and advancement of diverse employees to include a wide range of faces, voices, experiences and perspectives in our workplace.

Financial – At the end of the second quarter, cost reductions (indicator 8) are tracking on target.

MosaïCanada 150: STUD!O 2017

OUR PERFORMANCE - MEDIA LINES

We use Media Lines reporting to measure performance against our operational targets, which mostly focus on audience reach and share through our various platforms and self-generated revenue across all our services.

While the Corporation continues to monitor the performance of its specialty television channels, we have not reported our subscribers' results for competitive reasons.

ENGLISH SERVICES 2017-2018 RESULTS

Our second quarterly report contains a partial list of Key Performance Indicators (KPIs) because many of the principal targets are measured starting in September each year. They are not available for CBC Television and CBC Radio until the fall and are consequently not presented until our third quarterly report.

INDICATORS	MEASUREMENTS	RESULTS 2016-2017	RESULTS APR 1 TO SEPT 30, 2016	RESULTS APR 1 TO SEPT 30, 2017	TARGETS 2017-2018
Television					
CBC News Network	*All-day audience share*[14]	1.6%	1.6%	**1.6%**	1.5%
Regional					
CBC.ca regional offering	*Monthly average unique visitors*[15]	10.6 M	N/A[15]	**9.9 M**	10.8 M
Digital					
CBC digital offering	*Monthly average unique visitors*[16]	14.8 M	14.7 M	**15.5 M**	16.3 M
Revenue[17]					
Conventional, specialty, online		$228 M	$106 M	**$100 M**	$303 M

N/A = not applicable or not available

Our performance metrics are evolving as the media industry continues to undergo a digital transformation. Canadians consume media content on multiple devices (e.g. smartphones, tablets, smart TVs) from an ever-growing array of content providers. As media consumption habits change, audience measurement suppliers and the Corporation are refining methodologies and introducing new measurement technologies to ensure the accuracy and completeness of data gathered. Since some of these data are used to measure our strategic and operational performance, we may be required to make adjustments to targets and historical results to enhance comparability of the data.

Our results are currently tracking on, or close to meeting the annual targets. Below are a few highlights:

Television – CBC News Network's year-to-date results are tracking above target and at comparable levels to last year. The British Columbia wildfires coverage and the Canada Day/Canada 150 events helped drive audiences this quarter.

Regional – Our local digital performance for monthly average unique visitors has remained stable since the start of the year and is trending below target to date.

Digital – The number of monthly average unique visitors has grown year over year and is trending close to achieving its annual target.

Revenue – Our year-to-date revenue is tracking on target.

The National: Ian Hanomansing, Andrew Chang, Adrienne Arsenault and Rosemary Barton.

---

[14] Source: Numeris, Portable People Meter (PPM), persons aged two years and older.
[15] Source: comScore Media Metrix, unique visitors, desktops (aged two years and older) and mobile devices (aged 18 years and older), April to September. Our multiplaform measure was introduced in 2016-2017. Because of limited availability of multiplatform data between April and July 2016, results for the six months ended September 30, 2016 were not disclosed under this measure. Results for the year ended 2016-2017 reflected the monthly average unique visitors from August 2016 to March 2017.
[16] Source: comScore Media Metrix, unique visitors, desktops (aged two years and older) and mobile devices (aged 18 years and older), April to September.
[17] Includes advertising revenue, subscription revenue and other revenue (e.g. content distribution). Our CBC TV regular season target for 2017-2018 includes PyeongChang 2018 Olympics revenue, while *Hockey Night in Canada* on Saturday night and playoff hockey will continue to be excluded. In 2016-2017, the revenue from the Rio 2016 Olympic Games was excluded.

FRENCH SERVICES 2017-2018 RESULTS

Our second quarterly report contains a partial list of Key Performance Indicators (KPIs) because many of the principal targets are measured starting in September each year. They are not available for ICI RADIO-CANADA TÉLÉ, ICI RADIO-CANADA PREMIÈRE and ICI MUSIQUE until the fall and are consequently not presented until our third quarterly report.

INDICATORS	MEASUREMENTS	RESULTS 2016-2017	RESULTS APR 1 TO SEPT 30, 2016	RESULTS APR 1 TO SEPT 30, 2017	TARGETS 2017-2018
Television					
ICI RDI, ICI ARTV, ICI EXPLORA	*All-day audience share*[18]	4.8%	4.9%	**4.9%**	4.6%
Regional					
ICI Radio-Canada.ca regional offering	*Monthly average unique visitors*[19]	1.4 M	N/A	**1.9 M**	1.5 M
Digital					
Radio-Canada digital offering	*Monthly average unique visitors*[20]	3.8 M	3.4 M	**3.8 M**	4.0 M
Revenue[21]					
Conventional, specialty, online		$211 M	$92 M	**$100 M**	$207 M

N/A = not applicable or not available

Our performance metrics are evolving as the media industry continues to undergo a digital transformation. Canadians consume media content on multiple devices (e.g. smartphones, tablets, smart TVs) from an ever-growing array of content providers. As media consumption habits change, audience measurement suppliers and the Corporation are refining methodologies and introducing new measurement technologies to ensure the accuracy and completeness of data gathered. Since some of these data are used to measure our strategic and operational performance, we may be required to make adjustments to targets and historical results to enhance comparability of the data.

Our results are currently tracking on or above the annual targets. Here are a few highlights:

Television – The combined audience share of Radio-Canada's speciality services is tracking above target. ICI RDI benefited from covering significant weather events in both Quebec and the United States. Programming related to Montreal's 375th anniversary and the live broadcast of the ceremony surrounding the illumination of the Jacques Cartier Bridge also contributed to this performance. ICI ARTV's performance is in line with its target, mostly driven by the good results of the drama series *Anne* broadcast this summer. Finally, although ICI EXPLORA is tracking slightly below target, some shows such as *Chroniques du zoo de Londres* recorded strong performances.

Regional – Our year-to-date results are tracking significantly above target as Canadians continue to turn in great numbers to our digital regional offering.

Les EX: Yves-François Blanchet, Julie Drolet, Marie Grégoire and Yolande James.

Digital – Halfway into the year, our digital offering is trending slightly below target. As mobile devices are increasingly present in Canadians' lives, we revamped our range of mobile apps. This update was well received and led to higher traffic on our digital apps.

Revenue – Our year-to-date revenue is tracking ahead of last year's results and slightly ahead of target.

[18] Source: Numeris, Portable People Meter (PPM), Francophones in Quebec, aged two years and older, 2h-2h, Monday to Sunday, April to September.
[19] Source: comScore Media Metrix, unique visitors, desktops (aged two years and older) and mobile devices (aged 18 years and older), April to September.
[20] Source: comScore Media Metrix, unique visitors, desktops (aged two years and older) and mobile devices (aged 18 years and older), April to September. Radio-Canada digital offering: ICI.Radio-Canada.ca, ICI.Tou.tv, ICIMusique.ca, RCInet.ca, ICI.ARTV.ca and ICI.EXPLORAtv.ca.
[21] Includes advertising revenue, subscription revenue and other revenue (e.g. content distribution).

MEASURING OUR CANADIAN CONTENT

Regulatory requirements for Canadian content on television are specified by the Canadian Radio-television and Telecommunications Commission (CRTC), which sets conditions of license for ICI RADIO-CANADA TÉLÉ and CBC Television. For the whole broadcast day, a minimum of 75% Canadian content is required. For prime time, a minimum of 80% Canadian content is required. Both measures are averages over the entire broadcast year from September 1 to August 31. As shown in the table below, in the current broadcast year-to-date and in the previous full broadcast year, ICI RADIO-CANADA TÉLÉ and CBC Television significantly exceeded the CRTC's Canadian content conditions of license, both over the whole day and in prime time.

		YEARLY CONDITIONS OF LICENSE	RESULTS SEP 1, 2015 TO AUG 31, 2016	RESULTS SEP 1, 2016 TO AUG 31, 2017
ICI RADIO-CANADA TÉLÉ				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	84%	**82%**
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	94%	**96%**
CBC Television				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	84%	**81%**
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	85%	**87%**

Sarah Gadon as Grace Marks in *Alias Grace*, courtesy of CBC/Netflix (Photo Credit: Sabrina Lantos)

DISCUSSION OF RESULTS

RESULTS UNDER IFRS AND ON A CURRENT OPERATING BASIS

The following analysis provides a more detailed discussion of our financial performance.

	For the three months ended September 30			For the six months ended September 30		
(in thousands of Canadian dollars)	2017	2016	% change	2017	2016	% change
Revenue	119,194	176,825	(32.6)	232,402	291,431	(20.3)
Government funding	292,517	256,063	14.2	531,284	479,189	10.9
Expenses	389,352	430,286	(9.5)	784,607	784,557	0.0
Results before non-operating items	22,359	**2,602**	**N/M**	(20,921)	**(13,937)**	**(50.1)**
Non-operating items	(8,062)	(719)	N/M	45,596	(2,121)	N/M
Net results under IFRS for the period	14,297	**1,883**	**N/M**	24,675	**(16,058)**	**N/M**
Items not generating or requiring funds from operations						
Pension and other employee future benefits	9,484	11,228	(15.5)	23,388	22,076	5.9
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	5,776	5,776	-	11,555	11,256	2.7
Other provisions for non-cash items	(15,774)	(16,869)	6.5	(14,416)	(22,745)	36.6
Results on a Current Operating Basis[1]	13,783	**2,018**	**N/M**	45,202	**(5,471)**	**N/M**

N/M = not meaningful

[1] Results on a Current Operating Basis is a non-IFRS measure. An explanation of Results on a Current Operating Basis is provided below.

NET RESULTS UNDER IFRS

Net results under IFRS for the second quarter were income of $14.3 million compared to $1.9 million in the same quarter last year. The increase in net results was due to:

- Higher government funding recognized by $36.5 million (↑ 14.2%) this quarter. Parliamentary appropriations for operating expenditures are expected to increase by $75 million in 2017-2018 in accordance with the second year of the government's reinvestment in the public broadcaster.
- Lower expenses by $40.9 million (↓ 9.5%) as last year's costs included rights and production costs for the Rio 2016 Olympic Games. This decrease in our event-related expenses was partly offset by higher costs from our programming activities as we continue to broadcast more original content on our platforms, enhance our digital capabilities and invest in our local services.

Partly offsetting higher government funding and lower expenses in the quarter was:

- Lower revenue by $57.6 million (↓ 32.6%) because last year's amounts included revenue from broadcasting the Rio 2016 Olympic Games.
- A non-operating loss of $8.1 million, mainly due to our disposal of the Maison de Radio-Canada (MRC) premises in Montreal.

On a year-to-date basis, **Net Results under IFRS** were a gain of $24.7 million, an improvement of $40.7 million relative to last year. In addition to the factors discussed above affecting our second quarter, year-to-date results improved due to:

- A non-operating gain of $45.6 million mostly from the sale of our interest in SiriusXM Canada Holdings Inc. (SiriusXM).
- Higher government funding by $52.1 million (↑ 10.9%) consistent with our expectations.

Included in Net Results under IFRS for the period are items that do not currently generate or require funds from operations, as explained below.

RESULTS ON A CURRENT OPERATING BASIS

The gain on a **Current Operating Basis** of $13.8 million this quarter was an improvement of $11.8 million relative to last year. This increase is consistent with higher IFRS results as summarized above. On a year-to-date basis, our Results on a Current Operating Basis was a gain of $45.2 million, compared to a loss of $5.5 million in the prior year. This improvement in our year-to-date results on a Current Operating Basis was mostly driven by the non-operating gain from the sale of our interest in SiriusXM.

CBC/Radio-Canada defines Results on a Current Operating Basis as Net Results under IFRS less the adjustments for non-cash expenses that will not require operating funds within one year and non-cash revenues that will not generate operating funds within one year. This measure is used regularly by management to help monitor performance and balance the Corporation's budget consistent with parliamentary appropriations. We believe this measure provides useful complementary information to readers, while recognizing that it does not have a standard meaning under IFRS and will not likely be comparable to measures presented by other companies.

Adjustments include the elimination of non-cash pension and other employee future benefit costs, which represent the excess of the IFRS expense over the actual cash contribution for the year. Adjustments are also made for other non-cash items such as the depreciation, amortization and decommissioning of capital assets; the amortization of deferred capital funding; and non-budgetary annual leave. Other less significant items not funded or generating funds in the current period, primarily employee-benefit-related, are adjusted for in the reconciliation to Results on a Current Operating Basis.

REVENUE

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2017	2016	% change	2017	2016	% change
Advertising						
English Services	25,440	72,786	(65.0)	51,568	98,749	(47.8)
French Services	25,900	31,017	(16.5)	55,676	59,004	(5.6)
	51,340	103,803	(50.5)	107,244	157,753	(32.0)
Subscriber fees						
English Services	17,296	17,964	(3.7)	34,605	36,056	(4.0)
French Services	14,762	14,966	(1.4)	29,566	29,986	(1.4)
	32,058	32,930	(2.6)	64,171	66,042	(2.8)
Financing, investment and other income						
English Services	12,306	22,733	(45.9)	22,869	34,697	(34.1)
French Services	9,449	7,004	34.9	14,573	12,193	19.5
Corporate Services	14,041	10,355	35.6	23,545	20,746	13.5
	35,796	40,092	(10.7)	60,987	67,636	(9.8)
TOTAL	119,194	**176,825**	**(32.6)**	232,402	**291,431**	**(20.3)**

Our total revenue decreased by $57.6 million (↓ 32.6%) in the second quarter, and decreased $59.0 million (↓ 20.3%) on a year-to-date basis, mainly because last year's amounts included events revenue from broadcasting the Rio 2016 Olympic Games. Significant variances by revenue type are explained below.

ADVERTISING

Our advertising revenue decreased by $52.5 million (↓ 50.5%) this quarter and by $50.5 million (↓ 32.0%) year-to-date due to the following:

EVENTS

There was no revenue from events in the first or second quarter this year.

Last year's results included advertising revenue during the second quarter from our broadcast of the Rio 2016 Olympic Games.

ONGOING ACTIVITIES

Higher ongoing advertising revenue this quarter and on a year-to-date basis due to:

- A strong audience performance, most notably on Radio-Canada which outperformed the Francophone market.
- To a lesser extent, digital sales were higher mainly due to growth of our digital video advertising.

These increases were partially offset by the continued softness of the conventional TV market, down 1.1% over last year (when measured April to August), mostly driven by spending declines in English markets.

SUBSCRIBER FEES

Revenue from subscriber fees decreased by $0.9 million (↓ 2.6%) this quarter and by $1.9 million (↓ 2.8%) relative to the same period last year. These decreases were driven by reduced subscriber bases, mainly for CBC News Network and ICI RDI, as Canadians continue to reduce or cancel their subscription packages ("cord-cutting trend").

FINANCING, INVESTMENT AND OTHER INCOME

The decreases of $4.3 million (↓ 10.7%) and $6.6 million (↓ 9.8%) in financing, investment and other income this quarter and on a year-to-date basis resulted mostly from the following:

EVENTS

There was no revenue from events in either the first or second quarter this year.

In the second quarter last year, other income for English Services included licensing revenue generated from broadcasting the Rio 2016 Olympic Games.

ONGOING ACTIVITIES

This quarter, financing, investment and other income from our ongoing activities increased by 2.5% due to additional retransmission rights revenue and higher facility rentals. These increases were partly offset by:

- Lower income from programming sales; and
- One-off revenue recognized last year.

On a year-to-date basis, our ongoing revenue decreased by 2.4% due to lower content sales and the fact that last year's amount included non-recurring revenue. These decreases were partly offset by additional retransmission rights received in the first half of the year.

OPERATING EXPENSES

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2017	2016	% change	2017	2016	% change
Television, radio and digital services costs						
English Services	201,139	239,223	(15.9)	405,169	416,124	(2.6)
French Services	164,222	165,893	(1.0)	330,413	317,587	4.0
	365,361	405,116	(9.8)	735,582	733,711	0.3
Other operating expenses						
Transmission, distribution and collection	15,986	16,564	(3.5)	32,475	33,428	(2.9)
Corporate management	2,224	2,339	(4.9)	4,642	4,899	(5.2)
Payments to private stations	33	211	(84.4)	133	424	(68.6)
Finance costs	5,748	6,512	(11.7)	11,775	13,332	(11.7)
Share of results in associate	-	(456)	100.0	-	(1,237)	100.0
	23,991	25,170	(4.7)	49,025	50,846	(3.6)
TOTAL	389,352	430,286	(9.5)	784,607	784,557	0.0

N/M = not meaningful

Our total operating expenses decreased by $40.9 million (↓ 9.5%) in the second quarter of 2017-2018, and remained stable at $784.6 million on a year-to-date basis. The main variances are discussed below.

TELEVISION, RADIO AND DIGITAL SERVICES COSTS

TV, radio and digital services costs increased by $39.8 million (↑ 9.8%) this quarter and by $1.9 million (↑ 0.3%) on a year-to-date basis.

EVENTS	ONGOING ACTIVITIES
There was no significant expenditure on non-recurring events during the first two quarters of 2017-2018. Last year's cost of events included the programming rights and production costs to broadcast the Rio 2016 Olympic Games.	Our ongoing operating costs increased by approximately 11.0% this quarter and on a year-to-date basis. These higher Television, radio and digital services costs mostly reflected our continued investment in content, as summarized below: • **Programming**: additional costs as we broadcast more original content this summer, such as Canada 150-related content. • **Other investments**: higher costs as we continue to invest in digital and local services initiatives, such as the launch of the new CBC station in London, Ontario.

OTHER OPERATING EXPENSES

Other operating expenses decreased by $1.2 million (↓ 4.7%) this quarter and $1.8 million (↓ 3.6%) year-to-date, mostly as a result of:

- Lower **finance costs** by $0.8 million and $1.6 million respectively, consistent with our expectations; and
- A decrease in our **transmission, distribution and collection** expenses due to the timing of our maintenance contracts.

These decreases were partially offset by the absence of income from our **share of results in associate** in 2017-2018 following the sale of our interest in SiriusXM. Last year, we received dividend income from the investment. For more details about our former investment in associate, see Note 8 of our Consolidated Financial Statements.

GOVERNMENT FUNDING

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2017	2016	% change	2017	2016	% change
Parliamentary appropriations for operating expenditures	269,064	231,962	16.0	483,947	430,962	12.3
Parliamentary appropriations for working capital	1,000	1,000	-	2,000	2,000	-
Amortization of deferred capital funding	22,453	23,101	(2.8)	45,337	46,227	(1.9)
TOTAL	292,517	**256,063**	**14.2**	531,284	**479,189**	**10.9**

Parliamentary appropriations for operating expenditures are recognized based on our working capital requirements, according to forecast revenue and expenditures for the period. Parliamentary appropriations for operating expenditures increased by $37.1 million (↑ 16.0%) this quarter and by $53.0 million (↑ 12.3%) in the first half of 2017-2018. Parliamentary appropriations for operating expenditures are expected to increase by $75.0 million in 2017-2018, consistent with the second year of the government's reinvestment in CBC/Radio-Canada as announced in March 2016. Salary inflation funding is not yet released for 2016-2017 or 2017-2018.

Capital funding is recorded as **deferred capital funding**. It is amortized and recognized as revenue over the same periods as the related property, equipment and intangible assets are used in CBC/Radio-Canada's operations. The amortization of deferred capital funding was consistent with our asset base for all periods presented.

NON-OPERATING ITEMS

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2017	2016	% change	2017	2016	% change
Gain on sale of shares	-	-	N/M	54,462	-	N/M
Loss on disposal of property and equipment and intangibles	(8,062)	(719)	N/M	(8,866)	(2,121)	N/M
TOTAL	(8,062)	**(719)**	**N/M**	45,596	**(2,121)**	**N/M**

N/M = not meaningful

On a year-to-date basis, the gain on sale of shares resulted from selling our remaining interest in SiriusXM following its privatization in May 2017. The sale was completed at $4.50 a share, resulting in net proceeds of $57.6 million and a gain of $54.5 million.

The non-operating loss of $8.1 million this quarter was due to the remeasurement of assets sold following the disposal of our MRC premises in Montreal. Refer to Note 9 of the Interim Financial Statements for information pertaining to the disposal. On a year-to-date basis, the loss of $8.9 million includes the MRC disposal and other net losses from the retirement of assets in the regular course of our operations.

Last year, the non-operating loss of $0.7 million on a quarterly basis was due to the retirement of assets in the regular course of our operations and impairment losses recognized on assets held for sale following a downward revaluation of the estimated fair value of some of these assets. On a year-to-date basis, a $2.1 million loss was recognized for the same reasons.

TOTAL COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2017	2016	% change	2017	2016	% change
Net results for the period	14,297	**1,883**	**N/M**	24,675	**(16,058)**	**N/M**
Other comprehensive income (loss)						
Remeasurements of defined benefit plans	379,292	(101,213)	N/M	(14,997)	(154,683)	(90.3)
Total comprehensive income (loss) for the period	393,589	**(99,330)**	**N/M**	9,678	**(170,741)**	**N/M**

N/M = not meaningful

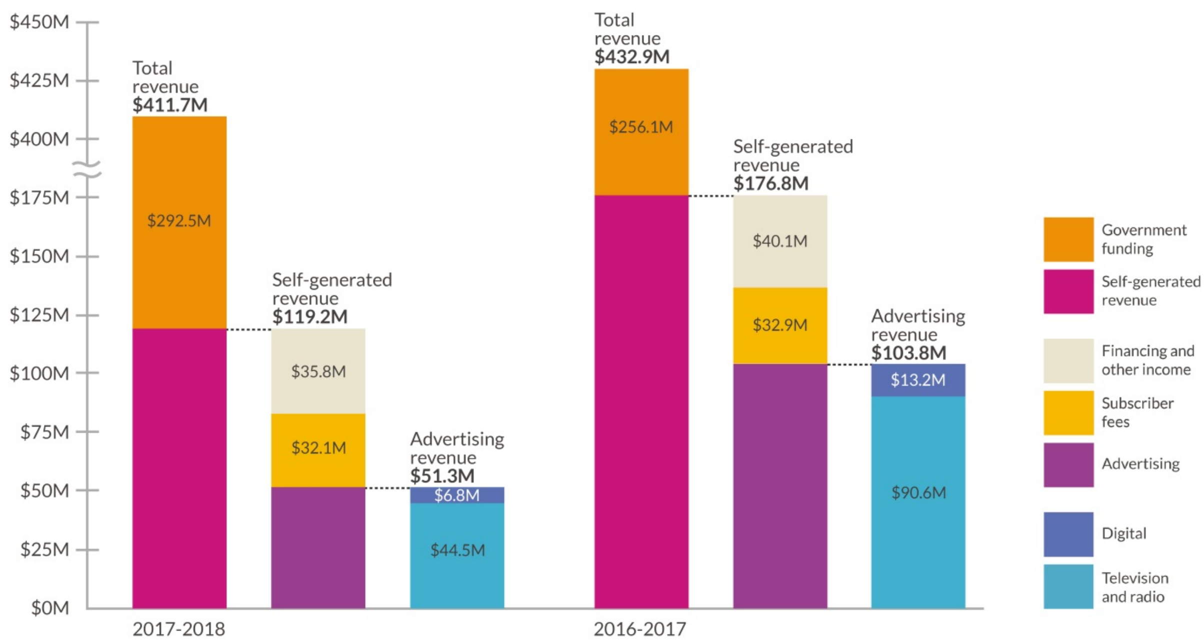
A total comprehensive gain of $393.6 million was recognized this quarter, compared to a loss of $99.3 million in the same period last year. In addition to net results, total comprehensive income includes remeasurements of pension plan values. These remeasurements are driven by significant non-cash fluctuations in our pension plan's obligations and assets that occur when actual results or interest rates differ from our actuarial assumptions. We recognize these movements immediately in other comprehensive income each reporting period.

A gain of $379.3 million was recognized this quarter on remeasurements of defined benefit plans as a result of a 54 basis-point increase in the discount rate applied to long-term liabilities. This gain was partly offset by a lower return on plan assets than estimated in our actuarial assumptions. On a year-to-date basis, the discount rate increased by 4 basis points, further decreasing our plan obligations. This was partially offset by lower returns on plan assets than those used in our assumptions, resulting in a $15.0 million loss on remeasurements of defined benefit plans.

CAPITAL RESOURCES, FINANCIAL CONDITION AND LIQUIDITY

REVENUE AND OTHER SOURCES OF FUNDS

We have four sources of direct funding: government appropriations for operating and capital expenditures, advertising revenue, subscriber fees, and financing and other income.



GOVERNMENT FUNDING (71% OF SOURCES IN Q2 OF 2017-2018): Government funding of $292.5 million was recognized during the quarter, including $22.5 million of amortization of deferred capital funding. In March 2016, the federal government announced an important reinvestment in CBC/Radio-Canada: an additional $75 million in 2016-2017 and $150 million per year thereafter on an ongoing basis. Salary inflation funding is not yet released for 2016-2017 and 2017-2018.

ADVERTISING REVENUE (12% OF SOURCES IN Q2 OF 2017-2018): This includes both ongoing and events-driven sales of advertising on our conventional television channels, specialty television channels and other platforms. Advertising revenue driven by events can have a material impact on the Corporation's self-generated revenue from quarter to quarter. Advertising revenue driven by events (such as the Rio 2016 Olympic Games in Q2 2016-2017) is non-recurring.

Ongoing advertising revenue is decreasing as a proportion of our self-generated revenue and other sources of funds mainly due to the increase in government funding, and as a result of the market shift away from conventional advertising platforms. Despite being a rising source of self-generated revenue, digital advertising growth is not significant enough to offset the decline observed in TV advertising.

SUBSCRIBER FEES (8% OF SOURCES IN Q2 OF 2017-2018): Fees from our specialty services: CBC News Network, *documentary channel*, ICI EXPLORA, ICI ARTV, ICI RDI, the new ICI TOU.TV EXTRA premium package and Curio.ca. Subscriber fees are experiencing downward pressure from the continuing cord-cutting trend and the effects of recent regulatory changes enacted by the CRTC (affordable basic TV package, small TV packages and pick-and-pay TV channels).

FINANCING, INVESTMENT AND OTHER INCOME (9% OF SOURCES IN Q2 OF 2017-2018): Includes both ongoing and events-driven income from activities such as the rental of real estate assets, content sales, leasing of space at our transmission sites, host broadcasting and contributions from the Canada Media Fund.

BORROWING PLAN

The *Broadcasting Act*, section 46.1, confers on CBC/Radio-Canada the authority to borrow up to $220.0 million, or such greater amount as may be authorized by Parliament, subject to approval of the Minister of Finance. Section 54.(3.1) of the Act requires that our borrowing plan be included in our Corporate Plan. Borrowing to meet working capital purposes is prohibited.

Under the *Broadcasting Act*, section 47(1), we are an agent of the Crown and therefore have the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown. The Crown is also fully liable and financially exposed for all our actions and decisions while we are operating within our mandate. In other words, our assets and liabilities are the assets and liabilities of the Government of Canada.

FINANCIAL CONDITION, CASH FLOWS AND LIQUIDITY

We rely on parliamentary appropriations and the cash generated from our commercial operations to fund our operating activities, including our capital needs in an environment highly dependent on technology. Specifically, our main sources of liquidity are parliamentary appropriations for operating, capital and working capital requirements, and self-generated revenue such as the sale of advertising on our various platforms.

Our cash balance on September 30, 2017 was $127.9 million, compared to $131.1 million on March 31, 2017. Our cash flows from operating, investing and financing activities for the second quarter ended September 30, 2017 are summarized below.

CASH POSITION

	For the three months ended September 30			For the six months ended September 30		
(in thousands of Canadian dollars)	2017	2016	% change	2017	2016	% change
Cash - beginning of the period	95,956	**83,948**	**14.3**	131,062	**156,465**	**(16.2)**
Changes in the period						
Cash from (used in) operating activities	33,893	(2,005)	N/M	28,860	(59,028)	N/M
Cash used in financing activities	(3,181)	(3,179)	(0.1)	(28,615)	(28,613)	(0.0)
Cash (used in) from investing activities	1,222	18,711	(93.5)	(3,417)	28,651	N/M
Net change	31,934	**13,527**	**N/M**	(3,172)	**(58,990)**	**94.6**
Cash - end of the period	127,890	**97,475**	**31.2**	127,890	**97,475**	**31.2**

N/M = not meaningful

CASH FROM (USED IN) OPERATING ACTIVITIES

Cash from (used) in operating activities includes cash inflows from our drawdowns of parliamentary appropriations for operating expenditures and working capital.

This quarter, cash from operating activities was $33.9 million compared to cash outflows of $2.0 million in the same period last year. On a year-to-date basis, cash inflows from operating activities was $28.9 million compared to cash outflows of $59.0 million last year. These changes are mainly due to the availability of the additional government funding. We began accessing this additional funding late in 2016-2017. Therefore, in both periods presented, we drew down more parliamentary appropriations than the equivalent periods last year. Additionally, cash from operations varies with normal fluctuations in working capital.

CASH USED IN FINANCING ACTIVITIES

Cash outflows for financing activities were stable at $3.2 million this quarter and $28.6 million year-to-date. Cash outflows for financing activities relate primarily to the following:

- Interest payments of $0.1 million during the quarter and $11.4 million year-to-date;
- Repayments of the Broadcast Centre Trust bonds of $7.6 million year-to-date;
- Payments of notes payable of $3.4 million year-to-date; and
- Payments to meet obligations under finance leases of $3.0 million during the quarter and $6.1 million year-to-date.

CASH FROM INVESTING ACTIVITIES

Cash from investing activities includes cash from our drawdowns of parliamentary appropriations for capital expenditures.

Cash from investing activities was lower by $17.5 million this quarter and $32.1 million for the first six months of the year. These reductions are due to new cash outflows this year because we invested in government bonds and marketable securities to hold funds for the development of the new Maison de Radio-Canada (MRC) and other operational requirements. While we had cash inflows from the sale of the existing MRC in the second quarter this year, our outflows to invest funds exceeded these inflows.

RISK UPDATE

As Canada's national public broadcaster, CBC/Radio-Canada occupies an important place in the Canadian broadcasting system and faces a unique set of risks to its plans and operations. Like all broadcasters, the Corporation must adapt to technological changes, shifts in demographics and evolving consumer demands, as well as structural changes in the industry. Given our statutory mandate to serve all Canadians, CBC/Radio-Canada also faces unique public expectations and financial challenges.

It is CBC/Radio-Canada's policy to develop, implement and practise effective risk management to ensure risks and opportunities that impact the Corporation's strategies, objectives and operations are identified, assessed and managed appropriately.

Other than the items noted below, there have been no significant changes to our risk profile since year end. Refer to our 2016-2017 Annual Report for a more detailed assessment of the risks, potential impacts and risk mitigation strategies.

OUTCOME OF GOVERNMENT'S CONSULTATION ON CANADIAN CONTENT IN A DIGITAL WORLD

On September 28, 2017, the Honourable Mélanie Joly, Minister of Canadian Heritage, announced the Government of Canada's vision for culture. The Minister's announcement did not provide any indication that CBC/Radio-Canada's proposal of exiting all advertising platforms and receiving replacement funding would be endorsed or approved. Therefore, given that our government funding is not fully indexed for cost increases, there is a continued risk that our business model will not remain sustainable as advertising revenue continues to decline and the media industry continues to be disrupted.

MAISON DE RADIO-CANADA (MRC) PROJECT

The two transactions – the purchase offer for the existing MRC site by Groupe Mach and the construction of the new MRC building by Broccolini – closed on July 27, 2017. Project oversight committees have been launched and construction has begun.

Work on the new Maison de Radio-Canada is getting underway and gradually taking shape.

FINANCIAL REPORTING DISCLOSURE

Our second quarter Condensed Interim Consolidated Financial Statements (“Interim Financial Statements”) were prepared in accordance with IFRS, as issued by the IASB, under IAS 34 – *Interim Financial Reporting* and adopted by the Accounting Standards Board (AcSB). They were approved by the Corporation’s Board of Directors on November 22, 2017. These Interim Financial Statements were prepared using the same basis of presentation and accounting policies as outlined under Note 2 of the Corporation’s Consolidated Financial Statements for the year ended March 31, 2017. Our Interim Financial Statements for the quarter ended September 30, 2017 do not include all of the notes required in the annual Consolidated Financial Statements.

Discussion and analysis of our financial condition and results of operations are based upon our Interim Financial Statements.

FUTURE ACCOUNTING STANDARDS

Refer to Note 3 of the Interim Financial Statements for information pertaining to accounting pronouncements that will be effective in future periods and were effective in 2017-2018.

KEY ACCOUNTING ESTIMATES AND CRITICAL JUDGMENTS

The preparation of these Interim Financial Statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors.

Since our last audited annual Consolidated Financial Statements for the year ended March 31, 2017, there has been one significant change to key accounting estimates as discussed below. Our other key significant accounting estimates and critical judgments are disclosed throughout the notes of our annual Consolidated Financial Statements.

PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES

During the quarter, management decided to cease rounding the discount rate to 25 basis points and started using the actual discount rate for accuracy purposes. The impact of this change on the pension obligation has been reflected in this quarter’s financial statements. Refer to Note 11 of the Interim Financial Statements for more details.

TRANSACTIONS WITH RELATED PARTIES

We made employer contributions to defined benefit plans as discussed in Note 10. We also provided management and administrative services to our defined benefit pension plans.

STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

Management is responsible for the preparation and fair presentation of these Consolidated Quarterly Financial Statements in accordance with IAS 34 – *Interim Financial Reporting*, and for such internal controls as management determines is necessary to enable the preparation of Consolidated Quarterly Financial Statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the Consolidated Quarterly Financial Statements.

Based on our knowledge, these unaudited Consolidated Quarterly Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the Consolidated Quarterly Financial Statements.

Hubert T. Lacroix,

President and Chief Executive Officer

Judith Purves,

Executive Vice-President and Chief Financial Officer

Ottawa, Canada

November 22, 2017

CONSOLIDATED FINANCIALS STATEMENTS

Second Quarter Financial Report
2017-2018

TABLE OF CONTENTS – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In thousands of Canadian dollars, unless otherwise noted

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	NOTE	September 30, 2017	March 31, 2017
ASSETS			
Current			
Cash		127,890	131,062
Marketable securities		26,021	23,231
Trade and other receivables	*4, 15*	111,074	125,499
Programming	*5*	363,305	268,327
Prepaid expenses		34,965	42,613
Promissory notes receivable		3,344	3,238
Investment in finance lease		3,281	3,171
Bonds receivable	*2, 15*	29,135	-
Derivative financial instruments	*15*	-	200
Assets classified as held for sale	*6, 9*	305	126
		699,320	**597,467**
Non-current			
Property and equipment	*6*	750,912	865,907
Intangible assets	*7*	31,225	30,017
Assets under finance leases		9,230	13,026
Pension plan asset	*11*	219,697	261,721
Programming	*5*	49,264	58,107
Promissory notes receivable		36,165	37,661
Investment in finance lease		39,580	41,248
Deferred charges		36,420	20,461
Bonds receivable	*15*	95,732	-
Investment in associate	*8*	-	3,117
		1,268,225	**1,331,265**
TOTAL ASSETS		**1,967,545**	**1,928,732**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		75,338	87,947
Provisions	*10*	36,572	30,580
Pension plans and employee-related liabilities	*11*	112,523	123,397
Programming liability		15,151	15,151
Bonds payable		23,266	22,921
Obligations under finance leases		4,517	10,293
Notes payable		8,830	8,726
Deferred revenue		23,648	23,185
Deferred operating vote drawdown	*13*	89,553	-
Derivative financial instruments	*15*	699	-
		390,097	**322,200**
Non-current			
Deferred revenue		19,550	19,889
Pension plans and employee-related liabilities	*11*	262,963	264,149
Programming liability		13,037	18,820
Bonds payable		213,176	221,361
Obligations under finance leases		6,024	6,300
Notes payable		83,072	86,728
Deferred capital funding	*13*	525,897	545,234
		1,123,719	**1,162,481**
TOTAL LIABILITIES		**1,513,816**	**1,484,681**
EQUITY			
Retained earnings		453,165	443,472
Total equity attributable to the Corporation		**453,165**	**443,472**
Non-controlling interests		**564**	**579**
TOTAL EQUITY		**453,729**	**444,051**
TOTAL LIABILITIES AND EQUITY		**1,967,545**	**1,928,732**

Commitments (NOTE 17)
The accompanying notes form an integral part of the condensed interim consolidated financial statements.

In thousands of Canadian dollars, unless otherwise noted

CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME (LOSS) (UNAUDITED)

	NOTE	Three months ended September 30		Six months ended September 30	
		2017	2016	2017	2016
REVENUE	12				
Advertising		51,340	103,803	107,244	157,753
Subscriber fees		32,058	32,930	64,171	66,042
Other income		33,405	37,778	56,194	62,797
Financing and investment income		2,391	2,314	4,793	4,839
		119,194	**176,825**	**232,402**	**291,431**
GOVERNMENT FUNDING	13				
Parliamentary appropriation for operating expenditures		269,064	231,962	483,947	430,962
Parliamentary appropriation for working capital		1,000	1,000	2,000	2,000
Amortization of deferred capital funding		22,453	23,101	45,337	46,227
		292,517	**256,063**	**531,284**	**479,189**
EXPENSES					
Television, radio and digital services costs		365,361	405,116	735,582	733,711
Transmission, distribution and collection costs		15,986	16,564	32,475	33,428
Corporate management		2,224	2,339	4,642	4,899
Payments to private stations		33	211	133	424
Finance costs		5,748	6,512	11,775	13,332
Share of results in associate	8	-	(456)	-	(1,237)
		389,352	**430,286**	**784,607**	**784,557**
Results before non-operating items		**22,359**	**2,602**	**(20,921)**	**(13,937)**
NON-OPERATING ITEMS					
Gain on sale of shares	8	-	-	54,462	-
Loss on disposal of property and equipment and intangibles	6, 7, 9	(8,062)	(719)	(8,866)	(2,121)
		(8,062)	**(719)**	**45,596**	**(2,121)**
Net results for the period		**14,297**	**1,883**	**24,675**	**(16,058)**
Net results attributable to:					
The Corporation		14,324	1,869	24,690	(16,071)
Non-controlling interests		(27)	14	(15)	13
		14,297	1,883	24,675	(16,058)

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

In thousands of Canadian dollars, unless otherwise noted

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	NOTE	**Three months ended September 30**		**Six months ended September 30**	
		2017	2016	**2017**	2016
COMPREHENSIVE INCOME (LOSS)					
Net results for the period		14,297	1,883	24,675	(16,058)
Other comprehensive income (loss) - not subsequently reclassified to net results					
Remeasurements of defined benefit plans	*2, 11*	379,292	(101,213)	(14,997)	(154,683)
Total comprehensive income (loss) for the period		**393,589**	**(99,330)**	**9,678**	**(170,741)**
Total comprehensive income (loss) attributable to:					
The Corporation		393,616	(99,344)	9,693	(170,754)
Non-controlling interests		(27)	14	(15)	13
		393,589	**(99,330)**	**9,678**	**(170,741)**

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

In thousands of Canadian dollars, unless otherwise noted

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	NOTE	Three months ended September 30, 2017 Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2017		59,549	591	60,140
Changes in the period				
Net results for the period		14,324	(27)	14,297
Remeasurements of defined benefit plans	*2, 11*	379,292	-	379,292
Total comprehensive income (loss) for the period		**393,616**	**(27)**	**393,589**
Balance as at September 30, 2017		**453,165**	**564**	**453,729**

	NOTE	Three months ended September 30, 2016 Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2016		273,218	495	273,713
Changes in the period				
Net results for the period		1,869	14	1,883
Remeasurements of defined benefit plans	*2, 11*	(101,213)	-	(101,213)
Total comprehensive income (loss) for the period		**(99,344)**	**14**	**(99,330)**
Distributions to non-controlling interests		-	**(1)**	**(1)**
Balance as at September 30, 2016		**173,874**	**508**	**174,382**

	NOTE	Six months ended September 30, 2017 Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2017		443,472	579	444,051
Changes in the period				
Net results for the period		24,690	(15)	24,675
Remeasurements of defined benefit plans	*2, 11*	(14,997)	-	(14,997)
Total comprehensive income (loss) for the period		**9,693**	**(15)**	**9,678**
Balance as at September 30, 2017		**453,165**	**564**	**453,729**

	NOTE	Six months ended September 30, 2016 Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2016		344,628	495	345,123
Changes in the period				
Net results for the period		(16,071)	13	(16,058)
Remeasurements of defined benefit plans	*2, 11*	(154,683)	-	(154,683)
Total comprehensive income (loss) for the period		**(170,754)**	**13**	**(170,741)**
Balance as at September 30, 2016		**173,874**	**508**	**174,382**

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

In thousands of Canadian dollars, unless otherwise noted

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	NOTE	Three months ended September 30 2017	Three months ended September 30 2016	Six months ended September 30 2017	Six months ended September 30 2016
CASH FLOWS (USED IN) FROM					
OPERATING ACTIVITIES					
Net results for the period		14,297	1,883	24,675	(16,058)
Adjustments for:					
Loss on disposal of property and equipment and intangibles	6, 7	8,062	719	8,866	2,121
Gain on sale of shares	8	-	-	(54,462)	-
Financing and investment income		(2,738)	(2,314)	(5,140)	(4,839)
Finance costs		5,748	6,512	11,775	13,332
Change in fair value of financial instruments designated at fair value through profit and loss	15	169	(164)	513	(145)
Depreciation of property and equipment	6	24,425	25,136	49,657	50,403
Amortization of intangible assets	7	1,906	1,587	3,439	3,178
Depreciation of assets under finance leases		1,898	1,898	3,796	3,774
Share of results in associate	8	-	(456)	-	(1,237)
Change in deferred charges		167	88	633	(935)
Change in programming asset [non-current]	5	(10,494)	3,269	9,447	9,011
Change in programming liability [non-current]	5	(1,443)	(2,375)	(6,112)	(6,922)
Amortization of deferred capital funding	13	(22,453)	(23,101)	(45,337)	(46,227)
Change in deferred appropriations for operating expenditures	13	35,436	71,038	89,553	71,038
Change in deferred revenues [non-current]		4,789	(4,442)	(614)	(10,778)
Change in pension plan asset [non-current]	11	(219,697)	84,007	42,024	145,406
Change in pension plans and employee-related liabilities [current]	11	(7,500)	(5,582)	1,677	2,916
Change in pension plans and employee-related liabilities [non-current]	11	230,174	(73,246)	(16,183)	(120,503)
Accretion of promissory notes receivable		-	(6)	(6)	(11)
Amortization of bond premium [current]		28	-	28	-
Amortization of bond premium [non-current]		319	-	319	-
Movements in working capital	14	(29,200)	(86,456)	(89,688)	(152,552)
		33,893	**(2,005)**	**28,860**	**(59,028)**
FINANCING ACTIVITIES					
Repayment of obligations under finance leases		(3,041)	(2,846)	(6,055)	(5,645)
Repayment of bonds		-	-	(7,602)	(7,060)
Repayment of notes		-	-	(3,526)	(3,367)
Distributions to non-controlling interests		-	(1)	-	-
Interest paid		(140)	(332)	(11,432)	(12,541)
		(3,181)	**(3,179)**	**(28,615)**	**(28,613)**
INVESTING ACTIVITIES					
Parliamentary appropriations for capital funding	13	29,500	31,000	54,500	51,000
Additions to property and equipment	6	(18,227)	(13,186)	(28,810)	(25,180)
Additions to intangible assets	7	(2,491)	(2,615)	(6,567)	(5,531)
Acquisition of marketable securities		(1,429)	-	(2,600)	-
Acquisition of bonds receivable		(50,213)	-	(125,213)	-
Net proceeds from disposal of property and equipment		40,648	209	40,890	305
Net proceeds from disposal of shares		-	-	57,580	-
Collection of promissory notes receivable		698	650	1,383	1,289
Collection of finance leases receivable		735	690	1,466	1,367
Dividends received	8	-	-	-	1,371
Interest received		2,001	1,963	3,954	4,030
		1,222	**18,711**	**(3,417)**	**28,651**
Change in cash		**31,934**	**13,527**	**(3,172)**	**(58,990)**
Cash, beginning of the period		**95,956**	**83,948**	**131,062**	**156,465**
Cash, end of the period		**127,890**	**97,475**	**127,890**	**97,475**

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2017 (UNAUDITED)

1. GENERAL INFORMATION

CBC/Radio-Canada (the Corporation) was first established by the 1936 *Broadcasting Act*. The Corporation, a federal Crown Corporation domiciled in Canada, is an agent of Her Majesty and all assets and liabilities are those of the Government. Its registered office is located at 181 Queen Street, Ottawa ON K1P 1K9. The Corporation is accountable to Parliament through the Minister of Canadian Heritage and in accordance with section 85(1.1) of the *Financial Administration Act*, the Corporation is exempt from certain sections from Divisions I to IV of Part X of the *Act*.

As the national public broadcaster, the Corporation provides radio, television and digital services in both official languages, delivering predominantly and distinctly Canadian programming to reflect Canada and its regions to national and regional audiences.

2. SIGNIFICANT ACCOUNTING POLICIES

A. STATEMENT OF COMPLIANCE

The Corporation has prepared these condensed interim consolidated financial statements as required by Section 131.1 of the *Financial Administration Act* which requires most parent Crown Corporations to prepare and make public quarterly financial reports in compliance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations. These condensed interim consolidated financial statements also comply with IAS 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (IASB) and adopted by the Accounting Standards Board (AcSB).

These condensed interim consolidated financial statements have not been audited or reviewed by the Corporation’s external auditor. They have been authorized for issuance by the Board of Directors on November 22, 2017.

B. BASIS OF PREPARATION

Basis of Presentation

As permitted under IAS 34, these interim consolidated financial statements are presented on a condensed basis and therefore do not include all disclosures that would otherwise be required in a full set of financial statements. These condensed interim consolidated financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2017. Accordingly, they should be read in conjunction with the audited annual consolidated financial statements for the year then ended.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, excepted as permitted by IFRS and as otherwise indicated within these notes.

The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the Corporation’s audited annual consolidated financial statements, except for the application of new standards, amendments and interpretations effective for the Corporation’s year end beginning on April 1, 2017. The accounting policies have been applied consistently to all periods presented, unless otherwise noted.

Seasonality

Excluding government appropriations, approximately 50% of the Corporation's self-generated revenue comes from advertising revenue that tends to follow seasonal patterns, with the second quarter typically being the lowest as the summer season typically attracts fewer viewers. Advertising revenue also varies according to market and general economic conditions and the programming schedule. By contrast, subscriber-based revenue is more stable on a quarter-by-quarter basis. Operating expenses tend also to follow a seasonal pattern, as they are influenced by the programming schedule.

Key sources of Estimation Uncertainty and Critical Judgments

The preparation of these condensed interim consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of such financial statements and the reported amounts of revenue and expenses recorded during the period, as well as all related disclosures.

Estimates are regularly reviewed by management and changes in those estimates are recognized prospectively by including them in the Condensed Interim Consolidated Statement of Income (Loss) in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. Actual results could significantly differ from those estimates. Similarly, critical judgments are reassessed at each reporting date.

Change in estimate – discount rate

Since the Corporation's last audited annual consolidated financial statements for the year ended March 31, 2017, there has been a significant change to key estimates and critical judgments related to the estimated discount rate. Beginning this quarter, the Corporation no longer rounds its discount rate to the nearest 25 basis point (bp) in order to increase the accuracy of amounts recorded in the financial statements.

When compared to a discount rate of 3.75% that would have been used under the previous methodology, this change in estimate to an actual discount rate of 3.79% has resulted in an increase in the actuarial gain of $40.0 million for the quarter, recorded as a remeasurement in other comprehensive income, with an offsetting decrease in the Corporation's non-current pension plans and employee related liabilities.

Changes in accounting policies

End of equity accounting

On April 26, 2017, the Corporation's investment in Sirius XM Holdings Inc. (SiriusXM) was classified as held-for-sale upon obtaining the approval from the Canadian Radio-Television and Telecommunications Commission. As a result, the Corporation ceased applying equity accounting on this date.

New financial instruments category

Since the beginning of 2017-2018, the Corporation has invested proceeds received from the sale of its interest in SiriusXM and the Maison de Radio-Canada (MRC) in Canadian government bonds. These funds will be used to support the redevelopment of Maison de Radio-Canada and ongoing operations.

The Corporation has classified these bonds as held-to-maturity financial assets. These financial assets are investments with fixed or determinable payments and fixed maturity that the Corporation has the intention and ability to hold until maturity. Assets in this category are measured at amortized cost using the effective interest method, which accounts for the amortization of a premium or discount (corresponding to the difference between the purchase price and the redemption value of the asset). Income earned from this category of assets in included under the "financing and investment income" line of the Condensed Interim Consolidated Statement of Income (Loss).

In thousands of Canadian dollars, unless otherwise noted

3. NEW AND FUTURE CHANGES IN ACCOUNTING POLICIES

A. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new pronouncement issued by the IASB or the IFRS Interpretations Committee was adopted by the Corporation effective April 1, 2017.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
Amendments to IAS 7 *Statement of Cash Flows*	Issued to require a reconciliation of the opening and closing financial position for each item for which cash flows have been, or would be, classified as financing activities, excluding equity items.	The Corporation is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended March 31, 2018.	April 1, 2017, applied prospectively.

B. FUTURE ACCOUNTING CHANGES

The IASB has issued the following new standards to existing standards that were not yet effective and not applied as at September 30, 2017, which could potentially impact the consolidated financial statements of the Corporation. At this time, the Corporation does not anticipate early adoption of these standards.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
IFRS 9 *Financial Instruments*	Issued to replace IAS 39 *Financial instruments: recognition and measurement* and all previous versions of IFRS 9. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and new hedge accounting guidance. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.	The adoption of IFRS 9 is not expected to result in any significant change in the classification and measurement of the Corporation's financial instruments. The Corporation is currently assessing the impact the new impairment model will have on its processes and financial statements, most notably in relation to assessing impairment of trade receivables.	Effective April 1, 2018, applied retrospectively with certain practical expedients available.
IFRS 15 *Revenue from Contracts with Customers*	Issued to replace IAS 18 *Revenues* and IAS 11 *Construction contracts* and the related Interpretations when it becomes effective. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements.	The Corporation has completed its assessment of the main accounting impacts by significant revenue stream. It has finalized a quantification of the identified impacts and concluded none will have a material financial impact on the Corporation.	Effective April 1, 2018, applied retrospectively, with certain practical expedients available.
IFRS 16 *Leases*	Supersedes IAS 17 *Leases* and related Interpretations. Eliminates the classification of leases as either operating or finance leases for a lessee for all leases unless the lease term is 12 months or less or the underlying asset has a low value. All leases (other than low dollar value and short-term leases) are accounted for in a similar manner to finance leases under IAS 17. This standard will result in an expected increase in assets and financial liabilities. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.	The Corporation is currently assessing the impact the new leases standard will have on its processes and financial statements.	Effective April 1, 2019, applied retrospectively, with certain practical expedients available.

In thousands of Canadian dollars, unless otherwise noted

4. TRADE AND OTHER RECEIVABLES

	September 30, 2017	March 31, 2017
Trade receivables	97,130	113,181
Allowance for doubtful accounts	(924)	(1,240)
Other	14,868	13,558
	111,074	**125,499**

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Corporation has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Trade receivables are subject to credit risk, which is further discussed in Note 15.B.

5. PROGRAMMING

A. PROGRAMMING BY CATEGORY

	September 30, 2017	March 31, 2017
Completed programs	85,995	98,287
Programs in process of production	167,195	71,797
Broadcast rights available for broadcast within the next twelve months	110,115	98,243
	363,305	**268,327**
Broadcast rights not available for broadcast within the next twelve months	49,264	58,107
	412,569	**326,434**

B. MOVEMENT IN PROGRAMMING

	September 30, 2017	March 31, 2017
Opening balance	326,434	345,456
Additions	572,951	1,039,050
Programs broadcast	(486,816)	(1,058,072)
Balance, end of the period	**412,569**	**326,434**

The programming write-offs included in the Programs broadcast line in the above table for the three and six months ended September 30, 2017, amount to $1.1 million (2016 – $0.4 million) and $1.5 million (2016 - $0.6 million). Programming write-offs are mainly due to terminated projects, programming not suitable for telecast or pilots not progressing into a series.

In thousands of Canadian dollars, unless otherwise noted

6. PROPERTY AND EQUIPMENT

A. COST AND ACCUMULATED DEPRECIATION

	Land	Buildings	Leasehold improvements	Technical equipment	Other	Uncompleted capital projects	Total
Cost as at March 31, 2017	174,118	557,601	65,468	1,051,515	153,758	50,395	2,052,855
Additions	-	7	-	5,048	861	22,049	27,965
Transfers (refer to Note 7)	-	2,502	820	20,975	4,293	(26,863)	1,727
Assets classified as held for sale	(57)	(208)	-	(939)	-	-	(1,204)
Disposals and write-offs	(39,037)	(62,214)	(433)	(12,409)	(2,920)	(71)	(117,084)
Cost as at September 30, 2017	**135,024**	**497,688**	**65,855**	**1,064,190**	**155,992**	**45,510**	1,964,259
Accumulated depreciation as at March 31, 2017	-	(260,831)	(35,503)	(780,043)	(110,571)	-	(1,186,948)
Depreciation for the period	-	(14,128)	(1,870)	(27,506)	(6,153)	-	(49,657)
Remeasurement charge	(21,007)	(15,489)				-	(36,496)
Reclassification of depreciation on assets classified as held for sale	-	208	-	813	-	-	1,021
Reclassification of depreciation on disposals and write-offs	-	43,388	433	11,992	2,920	-	58,733
Accumulated depreciation as at September 30, 2017	**(21,007)**	**(246,852)**	**(36,940)**	**(794,744)**	**(113,804)**	**-**	(1,213,347)
Net carrying amount as at September 30, 2017	**114,017**	**250,836**	**28,915**	**269,446**	**42,188**	**45,510**	750,912

	Land	Buildings	Leasehold improvements	Technical equipment	Other	Uncompleted capital projects	Total
Cost as at March 31, 2016	174,306	555,422	63,878	1,075,623	147,203	39,970	**2,056,402**
Additions	-	94	-	14,940	4,893	62,319	**82,246**
Transfers (refer to Note 7)	-	8,628	2,626	33,777	10,974	(51,821)	**4,184**
Assets classified as held for sale	(7)	(204)	-	21	-	-	**(190)**
Disposals and write-offs	(181)	(6,339)	(1,036)	(72,846)	(9,312)	(73)	**(89,787)**
Cost as at March 31, 2017	**174,118**	**557,601**	**65,468**	**1,051,515**	**153,758**	**50,395**	**2,052,855**
Accumulated depreciation as at March 31, 2016	-	(234,131)	(32,799)	(796,491)	(107,912)	-	**(1,171,333)**
Depreciation for the year	-	(31,050)	(3,740)	(54,604)	(11,865)	-	**(101,259)**
Reclassification of depreciation on assets classified as held for sale	-	204	-	(21)	-	-	**183**
Reclassification of depreciation on disposalsand write-offs	-	4,146	1,036	71,073	9,206	-	**85,461**
Accumulated depreciation as at March 31, 2017	**-**	**(260,831)**	**(35,503)**	**(780,043)**	**(110,571)**	**-**	**(1,186,948)**
Net carrying amount as at March 31, 2017	**174,118**	**296,770**	**29,965**	**271,472**	**43,187**	**50,395**	**865,907**

The contractual commitments for the acquisition of property and equipment were $112.1 million as at September 30, 2017 (March 31, 2017 – $12.1 million).

B. IMPAIRMENT AND OTHER CHARGES

A remeasurement charge of $36.5 million was incurred upon classifying the Maison de Radio-Canada (MRC) assets as held-for-sale. This charge was partially offset by the release of the associated deferred capital funding liability of $28.5 million. As a result, a charge net of capital funding of $8.0 million was recognized in the Condensed Consolidated Statement of Income (Loss) as of July 17, 2017. The sale of the MRC was subsequently completed on July 27, 2017. Refer to Note 9 for more details.

No other charges were recorded during the three and six months ended September 30, 2017 (2016 – nil). There were no impairment losses reversed during the three and six months ended September 30, 2017 (2016 – nil).

In thousands of Canadian dollars, unless otherwise noted

C. Assets Classified as Held for Sale

Consistent with the Corporation's financial plan to reduce its real estate footprint, several properties were classified as held for sale for accounting purposes as at September 30, 2017 that have a total carrying value of $0.3 million (March 31, 2017 – $0.1 million). These properties are expected to be sold on a site by site basis over the next twelve months.

D. Disposals

The Corporation disposed of the Maison de Radio-Canada premises this quarter as further discussed in note 9.

Other net gains and losses during the three and six months ended September 30, 2017 resulted from the disposal or retirements of equipment as part of the Corporation's normal asset refresh cycle.

7. Intangible Assets

	Internally developed software	Acquired software	Uncompleted capital projects	Total
Cost as at March 31, 2017	141,452	37,550	14,116	193,118
Additions	-	139	6,235	6,374
Transfers (refer to Note 6)	9,671	4,964	(16,362)	(1,727)
Cost as at September 30, 2017	**151,123**	**42,653**	**3,989**	197,765
Accumulated amortization as at March 31, 2017	(138,904)	(24,197)	-	(163,101)
Amortization for the period	(1,162)	(2,277)	-	(3,439)
Accumulated amortization as at September 30, 2017	**(140,066)**	**(26,474)**	**-**	(166,540)
Net carrying amount as at September 30, 2017	**11,057**	**16,179**	**3,989**	31,225

	Internally developed software	Acquired software	Uncompleted capital projects	Total
Cost as at March 31, 2016	140,760	32,191	12,903	**185,854**
Additions	-	641	11,065	**11,706**
Transfers (refer to Note 6)	889	4,779	(9,852)	**(4,184)**
Disposals and write-offs	(197)	(61)	-	**(258)**
Cost as at March 31, 2017	**141,452**	**37,550**	**14,116**	**193,118**
Accumulated amortization as at March 31, 2016	(137,827)	(19,270)	-	**(157,097)**
Amortization for the year	(1,274)	(4,986)	-	**(6,260)**
Reclassification of amortization on disposals and write-offs	197	59	-	**256**
Accumulated amortization as at March 31, 2017	**(138,904)**	**(24,197)**	**-**	**(163,101)**
Net carrying amount as at March 31, 2017	**2,548**	**13,353**	**14,116**	**30,017**

The contractual commitments for the acquisition of intangible assets were $2.7 million as at September 30, 2017 (March 31, 2017 – $5.0 million).

There were no impairment losses recorded or reversed during the three and six months ended September 30, 2017 (2016 – nil).

8. Investment in Associate

On May 25, 2017, the Corporation sold its entire interest at $4.50 a share in its only associate, Sirius XM Canada Holdings (SiriusXM), a satellite radio communications company located and domiciled in Canada which offers a variety of content on a subscription basis across Canada, including 6 channels carrying the Corporation's programming.

The sale generated net proceeds of $57.6 million and resulted in the recognition of a gain in the Condensed Interim Consolidated Statement of Income (Loss) of the first quarter of 2017-2018 calculated as follows:

Net proceeds from sale of shares	57,579
Less: carrying amount of investment sold	(3,117)
Gain recognized	54,462

The proceeds received from this transaction have been invested in Canadian government bonds. See note 2 for further details.

Prior to April 26, 2017, the date at which the investment was classified as held-for-sale, the Corporation included its portion of the interim results of SiriusXM for the period up to February 28, 2017. This corresponded to the latest information available for SiriusXM that could be disclosed publicly. No adjustment to results was required for transactions that occur after February 28, 2017.

In thousands of Canadian dollars, unless otherwise noted

The equity-accounted investee information as at September 30 is summarized in the table below:

	Ownership interest held		Voting interest held [1]		Quoted Fair Value [2]		Carrying amount		Dividends declared	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017	September 30, 2017	September 30, 2016
SiriusXM	nil	10.15%	nil	9.63%	nil	$71.9M	nil	3,117	nil	$1.4M

[1] As at March 31, 2017, the Corporation held 13,056,787 Class A Subordinate Voting Shares.

[2] The quoted market value (fair value) is based on unadjusted quoted prices in active markets (Level 1).

A reconciliation of the summarized financial information above to the carrying amounts of SiriusXM recorded on the Condensed Interim Consolidated Statement of Financial Position is as follows:

	September 30, 2017	March 31, 2017
Opening balance	3,117	2,496
Share of results in associate	-	3,363
Dividends received	-	(2,742)
Carrying amount of investment sold	(3,117)	-
Balance, end of the period	-	**3,117**

9. DISPOSAL OF MAISON DE RADIO-CANADA PREMISES

On July 27, 2017, the Corporation finalized the agreements for the two main components of the Maison de Radio-Canada (MRC) redevelopment project (MRC) : the sale of the existing Maison de Radio-Canada building (“existing MRC”) and the sale of the lot located on Montreal’s René-Levesque Boulevard East (“lot”) for the construction of the new broadcast centre (“new MRC”).

The Corporation sold its existing MRC and the western part of its lot to Groupe Mach for net consideration of $42.2 million. CBC/Radio-Canada is currently leasing back the existing building from Groupe Mach until the new MRC is built.

The Corporation sold the eastern part of its lot to Broccolini Group for one dollar, as part of an overall transaction for the construction and leasing of the new MRC on this parcel of land. In exchange for the sale of this lot to Broccolini, the Corporation received non-cash consideration of $16.6 million in the form of future rent reductions on the lease of the new MRC. As part of its agreement with the Broccolini Group, CBC/Radio-Canada entered into a 30-year lease which will commence once the new build is ready for use.

The following tables detail the accounting impacts of these two transactions on the condensed interim financial statements for September 30, 2017. By undertaking these transactions, the Corporation classified the existing MRC as held-for-sale on July 14, 2017 and remeasured the existing MRC at fair value, less cost to sell. The overall net impact of this remeasurement is a loss (net of capital funding) of $8.0 million included under the “Loss on disposal of property and equipment and intangibles” line of the Corporation’s Condensed Consolidated Statement of Income (Loss) for the second quarter of 2017-2018.

<u>Loss on the remeasurement of assets being sold to fair value less costs to sell:</u>

As of July 14, 2017	**Sale of premises to Groupe Mach[1]**	**Sale of land to Broccolini group[2]**	**Total**
Expected proceeds from disposal	42,208	16,592	58,800
Expected disposition-related costs	(250)	(1,535)	(1,785)
Remeasured carrying value of assets being sold	**41,958**	**15,057**	**57,015**
Original carrying value of assets sold	78,019	15,491	93,510
Release of deferred capital funding	(28,500)	-	(28,500)
Original carrying value of assets and liabilities being sold	**49,519**	**15,491**	**65,010**
Net loss on remeasurement of assets being sold	**(7,561)**	**(434)**	**(7,995)**

<u>Net gain on disposal of the MRC premises:</u>

As of July 27, 2017	**Sale of premises to Groupe Mach[1]**	**Sale of land to Broccolini group[2]**	**Total**
Consideration received	42,208	-	42,208
Deferred non-cash consideration	-	16,592	16,592
Remeasured carrying value of assets sold	(41,958)	(15,057)	(57,015)
Disposition-related costs	(250)	(1,535)	(1,785)
Net gain (loss) on disposal of MRC premises	-	-	-

[1] The final transaction was signed by the legal entity Faubourg de la Gauchetière Inc.

[2] The final transaction was signed by the legal entity Société en Commandite La Nouvelle Maison.

In thousands of Canadian dollars, unless otherwise noted

10. PROVISIONS

	Claims and legal proceedings	Environmental	**Total**
Opening balance	30,190	390	30,580
Additional provisions recognized	7,684	-	7,684
Provisions utilized	(103)	-	(103)
Reductions resulting from remeasurement or settlement without cost	(1,589)	-	(1,589)
Balance, end of the period	**36,182**	**390**	**36,572**

Various claims and legal proceedings have been asserted or instituted against the Corporation. Some of these claims demand large monetary damages or other form of relief, and could result in significant expenditures. These claims consist mainly of copyright tariffs, grievances and other legal claims.

Litigation is subject to many uncertainties and the outcome of individual matters is not always predictable. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's consolidated financial statements. In addition, claims where cash outflows are not probable are considered as contingencies.

At September 30, 2017, the Corporation had provisions amounting to $36.2 million (March 31, 2017 – $30.2 million) in respect of legal claims. All matters are classified as current as, where estimable, the Corporation is working to resolve these matters within 12 months.

In thousands of Canadian dollars, unless otherwise noted

11. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES

A. PENSION PLAN ASSET/LIABILITY AND EMPLOYEE-RELATED LIABILITIES

Employee-related assets/liabilities recognized and presented in the Condensed Interim Consolidated Statement of Financial Position are as follows:

	Current		Non-current	
	September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
Pension plan asset	-	-	**219,697**	**261,721**
Pension plan liability	-	-	108,519	108,095
Other post-employment plans	-	-	128,386	132,772
Vacation pay	52,014	57,963	-	-
Termination benefits	8,006	9,699	-	-
Salary-related liabilities	52,503	55,735	26,058	23,282
Total pension plan and employee-related liabilties	**112,523**	**123,397**	**262,963**	**264,149**

	September 30, 2017			March 31, 2017		
	Funded pension plan	Unfunded pension plans	Other post-employment plans	Funded pension plan	Unfunded pension plans	Other post-employment plans
Fair value of plan assets	6,719,048	-	-	6,733,325	-	-
Defined benefit obligation	6,499,351	108,519	128,386	6,471,604	108,095	132,772
Net (liability) asset arising from defined benefit obligation	**219,697**	**(108,519)**	**(128,386)**	**261,721**	**(108,095)**	**(132,772)**

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS

As disclosed in Note 15 Pension Plans and Employee-Related Liabilities of the Corporation's annual consolidated financial statements for the year ended March 31, 2017, at each reporting period end the Corporation reviews its actuarial assumptions to ensure that the net defined benefit (liability) asset recognized in the financial statements is updated for significant changes in assumptions and significant changes arising from one-off events. The impact on the net defined benefit (liability) asset arising from any such changes in assumptions is recognized in other comprehensive income as a remeasurement for the period.

Assumptions – annual rates	September 30, 2017	March 31, 2017
Assumptions for the calculation of pension benefit costs:		
Discount rate	3.75%	3.75%
Assumptions for the calculation of the benefit obligation:		
Discount rate - pension	3.79%	3.75%
Discount rate - long service gratuity	3.31%	3.00%
Discount rate - LTD benefit	3.31%	3.00%
Discount rate - life insurance	3.73%	3.50%

Starting this quarter, the Corporation ceased rounding its discount rate to the nearest 25 basis point (bp). Management has elected to use the actual discount rate in order to increase the accuracy of amounts recorded in the financial statements.

In thousands of Canadian dollars, unless otherwise noted

C. Total Cash Payments

Cash payments for pension, other post-employment and other long-term benefits for the Corporation were as follows:

	Three months ended September 30		Six months ended September 30	
	2017	2016	**2017**	2016
Benefits paid directly to beneficiaries	2,862	3,224	5,724	6,448
Employer regular contributions to pension benefit plans	16,717	16,139	29,254	28,893
Total cash payments for defined benefit plans	**19,579**	**19,363**	**34,978**	**35,341**

The Plan is funded on the basis of actuarial valuations, which are made on an annual basis. Employees are required to contribute to the Plan a percentage of their pensionable salary to the Plan. The Corporation provides the balance of the funding, as required, based on actuarial valuations.

D. Movements in the Present Value of the Defined Benefit Obligation

	September 30, 2017		March 31, 2017	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening defined benefit obligation	6,579,699	132,772	6,413,660	136,833
Current service cost	53,116	2,272	105,569	5,525
Interest cost	122,008	1,878	237,604	4,301
Contributions from employees	29,414	-	46,447	-
Remeasurements:				
Actuarial losses (gains) arising from changes in demographic assumptions	-	-	104,472	(387)
Actuarial losses (gains) arising from changes in financial assumptions	(39,682)	(2,812)	(24,200)	37
Actuarial losses (gains) arising from experience adjustments	9,354	-	(10,363)	394
Benefits paid	(146,039)	(5,724)	(293,490)	(13,931)
Closing defined benefit obligation	**6,607,870**	**128,386**	**6,579,699**	**132,772**

E. Movements in the Fair Value of Plan Assets

	September 30, 2017		March 31, 2017	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening fair value of plan assets	6,733,325	-	6,456,327	-
Administration fees (other than investment management fees)	(3,300)	-	(6,490)	-
Interest income on plan assets	124,364	-	238,195	-
Return on plan assets, excluding interest income	(47,970)	-	238,842	-
Contributions from employees	29,414	-	46,447	-
Contributions from the Corporation	29,254	5,724	53,494	13,931
Benefits paid	(146,039)	(5,724)	(293,490)	(13,931)
Closing fair value of plan assets	**6,719,048**	-	**6,733,325**	-

In thousands of Canadian dollars, unless otherwise noted

F. DEFINED BENEFIT PLAN COSTS

Amounts recognized in comprehensive (income) loss

	Three months ended September 30		Six months ended September 30	
	2017	2016	**2017**	2016
Current service cost	27,694	27,537	55,388	55,074
Administration fees (other than investment management fees)	1,650	1,623	3,300	3,246
Interest cost on defined benefit obligation	61,943	60,386	123,886	120,772
Interest income on plan assets	(62,182)	(59,549)	(124,364)	(119,098)
Other	(306)	134	(167)	264
Expense recognized in net results	28,799	30,131	58,043	60,258
Remeasurements recognized in other comprehensive (income) loss	(379,292)	101,213	14,997	154,683
Total	**(350,493)**	**131,344**	**73,040**	**214,941**

Retained earnings include $554.8 million of cumulative actuarial gains as at September 30, 2017 (March 31, 2017 gains – $569.8 million).

Expense recognized in net results

	Three months ended September 30		Six months ended September 30	
	2017	2016	**2017**	2016
Television, radio and digital services costs	27,647	28,926	55,721	57,848
Transmission, distribution and collection costs	864	904	1,741	1,808
Corporate management	288	301	581	602
Total	**28,799**	**30,131**	**58,043**	**60,258**

In thousands of Canadian dollars, unless otherwise noted

12. Revenue

	Three months ended September 30		Six months ended September 30	
	2017	2016*	2017	2016*
TV and radio advertising[1]	44,492	90,567	92,837	137,869
Digital advertising	6,848	13,236	14,407	19,884
Subscriber fees	32,058	32,930	64,171	66,042
Building, tower, facility and service rentals	11,905	10,995	22,005	20,711
Production revenue[2]	3,827	5,160	10,198	11,323
Programming and licensing sales	9,675	16,951	14,665	23,660
Retransmission rights	5,047	752	5,806	1,503
Program sponsorship	1,719	2,497	2,047	2,907
Other services	1,559	1,176	2,217	2,329
Total Rendering of services	**117,130**	**174,264**	**228,353**	**286,228**
Total Financing and Investment income	**2,391**	**2,314**	**4,793**	**4,839**
Foreign exchange (loss) gain	(160)	78	(42)	208
Net (loss) gain from the change in fair value of financial instruments	(167)	169	(702)	156
Total Revenue	**119,194**	**176,825**	**232,402**	**291,431**

[1]For the three and six months ended September 30, 2017, TV and radio advertising includes $0.5 million (2016 - $1.5 million) and $0.9 million (2016 - $2.0 million) in revenue earned from the exchange of services in non-monetary transactions.

[2]For the three and six months ended September 30, 2017, Production revenue includes $2.0 million (2016 - $3.1 million) and $7.9 million (2016 - $8.5 million) in revenue earned from the exchange of services in non-monetary transactions.

* For the year ended March 31, 2017, the Corporation reclassified certain revenue sources to better reflect how management monitors and reports these activities internally. As a result, the comparative figures have been restated to reflect these changes in presentation. For more details about these reclassifications, refer to Note 20 of the audited annual consolidated financial statements for the year ended March 31, 2017.

13. Government Funding

A. Government Funding Received

Parliamentary appropriations approved and the amounts received by the Corporation are as follows:

	Three months ended September 30		Six months ended September 30	
	2017	2016	2017	2016
Operating funding	304,500	303,000	573,500	502,000
Capital funding received	29,500	31,000	54,500	51,000
Working capital funding	1,000	1,000	2,000	2,000
	335,000	**335,000**	**630,000**	**555,000**

B. Deferred Operating Vote Drawdown

Parliamentary appropriation for operating expenditures is recognized in the Condensed Interim Consolidated Statement of Income (Loss) based on the net difference between quarterly budgeted expenses and self-generated revenue.

Quarterly budgets are established from the annual budget approved by the Board of Directors at the beginning of each year and reflect expected appropriation funding for the year and seasonal impacts of expenditures and self-generated revenue.

In thousands of Canadian dollars, unless otherwise noted

	September 30, 2017	March 31, 2017
Operating funding received during period	573,500	1,002,307
Less: Parliamentary appropriation for operating expenditures recognized in the Condensed Interim Consolidated Statement of Income (Loss) during period	(483,947)	(1,002,307)
Deferred appropriations for operating expenditures	**89,553**	**-**

C. DEFERRED CAPITAL FUNDING

Capital funding received is recorded as Deferred Capital Funding in the Condensed Interim Consolidated Statement of Financial Position, with income being recognized in the Condensed Interim Consolidated Statement of Income (Loss) on the same basis and over the same periods as the related property, equipment and intangible assets.

	September 30, 2017	March 31, 2017
Opening balance	545,234	531,295
Government funding for capital expenditures	54,500	106,717
Amortization of deferred capital funding	(45,337)	(92,778)
Release of deferred capital funding related to MRC[1]	(28,500)	-
Balance, end of the period	**525,897**	**545,234**

[1]The Corporation disposed of the Maison de Radio-Canada premises this quarter as further discussed in note 9.

14. MOVEMENTS IN WORKING CAPITAL

	Three months ended September 30		Six months ended September 30	
	2017	2016	2017	2016
Changes in Working Capital are comprised of:				
Trade and other receivables	14,342	(50,146)	15,120	(40,905)
Programming asset (current)	(27,865)	(6,138)	(94,978)	(70,967)
Prepaid expenses	7,171	2,003	7,648	5,490
Accounts payable and accrued liabilities	3,743	(2,561)	(11,569)	(32,493)
Provisions	2,730	3,227	5,992	3,897
Employee-related liabilities (current)	(31,120)	(29,549)	(12,364)	(16,758)
Deferred revenues (current)	1,799	(3,292)	463	(816)
	(29,200)	**(86,456)**	**(89,688)**	**(152,552)**

In thousands of Canadian dollars, unless otherwise noted

15. FINANCIAL INSTRUMENTS

A. FAIR VALUE

The carrying values and fair values of the Corporation's financial assets and financial liabilities are listed in the following table:

	September 30, 2017		March 31, 2017			
	Carrying values	Fair values	Carrying values	Fair values	Method[1]	Note
Financial instruments measured at fair value on a recurring basis:						
Cash	127,890	127,890	131,062	131,062	Level 2	(a)
Marketable securities						
Bonds (current)	26,021	26,021	10,794	10,794	Level 2	(b)
Equity	-	-	12,437	12,437	Level 1	(c)
Derivative financial instruments	-	-	200	200	Level 2	(d)
Financial assets	**153,911**	**153,911**	**154,493**	**154,493**		
Derivative financial instruments	699	699	-	-	Level 2	(e)
Financial liabilities	**699**	**699**	**-**	**-**		
Financial instruments measured at amortized cost:						
Bonds receivable (current)	29,135	29,279	-	-	Level 1	(b)
Trade and other receivables	111,074	111,074	125,499	125,499	Level 2	(a)
Promissory notes receivable (current)	3,344	3,344	3,238	3,238	Level 2	(a)
Investment in finance lease (current)	3,281	3,281	3,171	3,171	Level 2	(a)
Bonds receivable (non-current)	95,732	95,753	-	-	Level 1	(b)
Promissory notes receivable (non-current)	36,165	40,632	37,661	43,676	Level 2	(f)
Investment in finance lease (non-current)	39,580	45,632	41,248	48,524	Level 2	(f)
Financial assets	**318,311**	**328,995**	**210,817**	**224,108**		
Accounts payable and accrued liabilities	75,338	75,338	87,947	87,947	Level 2	(a)
Bonds payable (current)	23,266	23,266	22,921	22,921	Level 2	(a)
Obligations under finance leases (current)	4,517	4,517	10,293	10,293	Level 2	(a)
Notes payable (current)	8,830	8,830	8,726	8,726	Level 2	(a)
Bonds payable (non-current)	213,176	266,944	221,361	285,330	Level 2	(g)
Obligations under finance leases (non-current)	6,024	6,024	6,300	6,300	Level 2	(g)
Notes payable (non-current)	83,072	90,596	86,728	96,706	Level 2	(g)
Financial liabilities	**414,223**	**475,515**	**444,276**	**518,223**		

[1]Method refers to the hierarchy levels described in Note 2B of the Corporation's consolidated financial statements for the year ended March 31, 2017. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

There have been no transfers between levels during the three and six months ended September 30, 2017.

(a) The fair values approximate their carrying value due to the current nature of these instruments.

(b) The fair values for bonds that trade in markets, but are not considered to be active are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.

(c) The Corporation has designated its marketable securities at fair value through profit or loss. Fair values are determined based on quoted market prices.

(d) The estimated fair value is determined using an option pricing model whose key inputs include the closing price and volatility of the related shares, published Government bond rates and directly observable dividend yields.

(e) The fair value is based on a discounted cash flow using inputs on observable future market prices.

(f) The fair values related to the various amounts receivable were determined using the expected future cash flows and discounted using published Government bond rates with similar terms and characteristics, adjusted by a factor that reflects the credit worthiness of the various counterparties.

(g) The fair values related to the Corporation's various financial liabilities were determined using the expected future cash flows and were discounted using published Government bond rates with similar terms and characteristics, adjusted by a factor that reflects the Corporation's credit worthiness.

In thousands of Canadian dollars, unless otherwise noted

B. CREDIT RISK

I) AGE OF TRADE RECEIVABLES THAT ARE PAST DUE BUT NOT IMPAIRED

	September 30, 2017	March 31, 2017
31 - 60 days	12,753	24,030
61 - 90 days	13,342	14,256
Over 90 days	13,623	15,240
Total	**39,718**	**53,526**

II) MOVEMENT IN ALLOWANCE FOR DOUBTFUL ACCOUNTS

	September 30, 2017	March 31, 2017
Opening balance	(1,240)	(2,058)
Amounts written off during the period as uncollectible	589	1,868
Impairment losses reversed	185	177
Net increase in allowance for new impairments	(458)	(1,227)
Balance, end of the period	**(924)**	**(1,240)**

III) BONDS RECEIVABLE

The Corporation has invested its proceeds from the disposal of its interest in SiriusXM (see Note 8) and from selling the Maison de Radio-Canada premises (see Note 9) into Canadian government bonds that carry a determined fixed rate coupon comprised between 1.7% and 2.35% payable twice a year. The Corporation intends to hold these bonds until maturity. The government bonds have maturity dates ranging between December 2017 and December 2019. None of these assets had been past due or impaired at the end of the reporting period.

16. RELATED PARTIES

The Corporation enters into transactions with related parties in the normal course of business, on normal trade terms applicable to all individuals and enterprises and at market prices. These transactions are recorded at fair value by the Corporation. The following transactions were carried out with related parties:

	Three months ended September 30	
	Rendering of services	
	2017	2016
Associate	-	575
Other related entities[1]	28	28
	28	**603**

[1] Transactions with other related entities primarily relate to administration services provided to the Corporate Pension Plan.

	Six months ended September 30	
	Rendering of services	
	2017	2016
Associate	193	1,126
Other related entities[1]	56	56
	249	**1,182**

[1] Transactions with other related entities primarily relate to administration services provided to the Corporate Pension Plan.

In addition, cash payments for the Corporation's contributions to the defined benefit plans are disclosed in Note 11.C.

A. TRANSACTIONS WITH RELATED PARTIES EXCLUDING GOVERNMENT-RELATED ENTITIES

The following balances were outstanding at the end of the period and are included in Trade and other receivables on the Condensed Interim Consolidated Statement of Financial Position:

	Amounts owed by related parties	
	September 30, 2017	March 31, 2017
Associate	-	596
Other related entities	1	-
	1	**596**

There are no amounts owing to related parties at September 30, 2017 (March 31, 2017 – nil). SiriusXM ceased being an associate on May 25, 2017 after the Corporation sold its interest in SiriusXM.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

B. OTHER TRANSACTIONS WITH ASSOCIATE

There were no significant transactions with the Corporation's associate during the current or previous fiscal period other than the dividends received and the privatization and recapitalization transaction, as discussed in Note 8.

C. TRANSACTIONS WITH GOVERNMENT-RELATED ENTITIES

CBC/Radio-Canada is a Federal Crown Corporation that operates in an economic environment dominated by entities directly or indirectly controlled by the federal government through its government authorities, agencies, affiliations and other organizations (collectively referred to as "government-related entities"). The Corporation has transactions with other government-related entities including but not limited to sales and purchases of goods and rendering and receiving of services.

The Corporation has elected to take an exemption under IAS 24 *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.

17. COMMITMENTS

Commitments are discussed in Note 28 Commitments of the Corporation's consolidated financial statements for the year ended March 31, 2017. Commitments for the purchase of property and equipment this quarter are disclosed within Note 6.A Property and Equipment of this report.

During the second quarter of 2016-2017, the Corporation agreed to two new contractual commitments, one with the International Olympics Committee (IOC) for the 2018-2020 Olympic Games' rights and another for the lease of the new Maison de Radio-Canada (MRC) with Broccolini for an initial term of 30 years. Total commitments with Broccolini of $377.2 million comprise lease payments expected to start on January 1, 2020 following the completion of the build, and contractual commitments for the leasehold improvement works which already started this September.